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Government
of Canada

Gouvernement
du Canada

Prepared by the
Receiver General for Canada

Public Accounts of Canada 1997

Volume I



Summary Report and Financial Statements



Government
of Canada

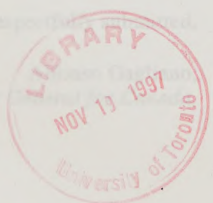
Gouvernement
du Canada

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Canada



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Volume I

Summary Report
and Financial
Statements



To His Excellency

The Right Honourable Roméo LeBlanc,
P.C., C.C., C.M.M., C.D.,
Governor General and
Commander-in-Chief of Canada.

MAY IT PLEASE YOUR EXCELLENCY:

The undersigned has the honour to present to Your Excellency the *Public Accounts of Canada* for the year ended March 31, 1997.

All of which is respectfully submitted.

Marcel Massé,
President of the Treasury Board.

OTTAWA, OCTOBER 2, 1997

To The Honourable Marcel Massé,
President of the Treasury Board.

In accordance with the provisions of section 64(1) of the *Financial Administration Act*, I have the honour to transmit herewith the *Public Accounts of Canada* for the year ended March 31, 1997, to be laid by you before the House of Commons.

Respectfully submitted,

Alfonso Gagliano,
Receiver General for Canada.

OTTAWA, OCTOBER 2, 1997

To The Honourable Alfonso Gagliano,
Receiver General for Canada.

Sir:

I have the honour to submit the *Public Accounts of Canada* for the year ended March 31, 1997.

Under section 64(1) of the *Financial Administration Act*, the *Public Accounts of Canada* for each fiscal year shall be prepared by the Receiver General and shall be laid before the House of Commons by the President of the Treasury Board on or before the thirty-first day of December next following the end of that year, or if the House of Commons is not then sitting, within the first fifteen days next thereafter that the House of Commons is sitting.

This annual report is presented in two volumes:

Volume I—The financial statements of Canada on which the Auditor General has expressed an opinion; the observations by the Auditor General on the financial statements of Canada; a ten-year summary of the Government's financial transactions; analyses of revenues and expenditures, and of asset and liability accounts; and various other statements.

Volume II—Details of the financial operations of the Government, segregated by ministry (Part I); and additional information and analyses (Part II).

The audited financial statements contained in Volume I are for the year ended March 31, 1997.

Respectfully submitted,

Ranald A. Quail,
Deputy Receiver General for Canada.

OTTAWA, OCTOBER 2, 1997

VOLUME I

TABLE OF CONTENTS

Section

Introduction

1. Financial Statements of the Government of Canada and Opinions of the Auditor General
2. Supplementary Financial Information
3. Revenues, Expenditures and Accumulated Deficit
4. Consolidated Accounts
5. Current Liabilities
6. Interest-Bearing Debt
7. Current Assets
8. Foreign Exchange Accounts
9. Loans, Investments and Advances
10. Other Information Related to the Financial Statements
11. Index

INTRODUCTION TO THE *PUBLIC ACCOUNTS OF CANADA*

Nature of the *Public Accounts of Canada*

The *Public Accounts of Canada* is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by section 64 of the *Financial Administration Act*.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department and agency is responsible for reconciling its accounts to the control accounts of the Receiver General, and for maintaining detailed records of the transactions in their accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the *Public Accounts of Canada*

The *Public Accounts of Canada* is produced in two volumes.

Volume I presents a summary analysis of the financial transactions of the Government. Its content is summarized as follows:

SECTION 1: audited financial statements of the Government of Canada;

SECTION 2: ten-year summary of the Government's financial transactions;

SECTION 3: review of revenues, expenditures and accumulated deficit;

SECTION 4: analysis of consolidated accounts;

SECTION 5: analysis of current liabilities;

SECTION 6: analysis of interest-bearing debt;

SECTION 7: analysis of current assets;

SECTION 8: analysis of foreign exchange accounts;

SECTION 9: analysis of loans, investments and advances; and,

SECTION 10: analysis of other information related to the financial statements.

Volume II is published in two parts. **Part I** presents the financial operations of the Government, segregated by ministry while **Part II** presents additional information and analyses.

SECTION 1

1996-97

PUBLIC ACCOUNTS OF CANADA

Financial Statements of the Government of Canada and Opinions of the Auditor General

CONTENTS

	<i>Page</i>
Preface	1.2
Statement of responsibility	1.4
Opinion of the Auditor General	1.5
Financial statements—	
Statement of transactions	1.6
Statement of revenues, expenditures and accumulated deficit	1.7
Statement of assets and liabilities	1.8
Statement of changes in financial position	1.9
Notes to the financial statements of the Government of Canada	1.10
Supplementary statement and opinion of the Auditor General—	
Debt Servicing and Reduction Account	1.22
Supplementary information—	
Observations by the Auditor General	1.25

NOTE TO READER

An overview of the financial operations of the Government of Canada is provided in an **Annual Financial Report** prepared by the Minister of Finance. This Report also includes condensed financial statements.

Accompanying this Report are historical fiscal reference tables and related fiscal indicators for the federal government and the provinces.

You can obtain a copy of the **Annual Financial Report** by calling the Department of Finance at (613) 995-2855

PREFACE TO THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA

The fundamental purpose of the financial statements is to provide information to Parliament, and thus to the public, to facilitate an understanding and evaluation of the full nature and extent of the financial affairs and resources for which the Government is responsible. The financial statements reflect the financial position of the Government at the reporting date, as well as its results of operations, financial requirements and changes in financial position for the year. A supplementary statement reports transactions under the *Debt Servicing and Reduction Account Act*.

The two fundamental concepts underlying the Government's accounting system are found in the Constitution Acts: first, that all duties and revenues received, other than those reserved to the provinces, "shall form One Consolidated Revenue Fund"; second, that the balance of the Fund, after certain prior charges, "shall be appropriated by the Parliament of Canada".

The right of Canada to raise taxes and revenues is contained in the Constitution Acts, and is given specific form in various Acts passed by Parliament. Revenues can be raised and moneys can be spent or borrowed by the Government only with the authority of Parliament. All receipts of money by departments and agencies must be deposited into the Consolidated Revenue Fund (CRF). All disbursements from the CRF for spending on operations, for loans, investments and advances, and for the redemption of matured debt, must be authorized by Parliament, through annual appropriation acts and other statutes.

Wholly-owned Crown corporations that are agents of Her Majesty also may borrow only as authorized by Acts of Parliament. Such Acts usually place a ceiling on the amount of borrowings that can be outstanding at any one time. Non-agent Crown corporations can borrow without specific parliamentary authority, although such borrowings are sometimes guaranteed by the Government with the authority of Parliament.

The financial statements consist of four statements and accompanying notes.

The first is the Statement of Transactions, which shows the extent to which cash going out from the Government exceeded cash coming in, and the resulting net new borrowing. The financial transactions are classified into the following categories:

- **Budgetary transactions** are all transactions with outside parties which enter into the calculation of the annual deficit or surplus of the Government, that is, tax and non-tax revenues, together with expenditures.
- **Non-budgetary transactions** are all transactions in assets and liabilities, other than those related to foreign exchange and unmatured debt.
- **Foreign exchange transactions** are all transactions in international reserves held in the Exchange Fund Account (the principal objective of which is to aid in the control and protection of the external value of the Canadian dollar), the net position of the Government with respect to the International Monetary Fund, and unmatured debt payable in foreign currencies.

- **Unmatured debt transactions** show increases or decreases in unmaturred debt, that is, the net change in amounts owing for marketable bonds, Canada savings bonds, special non-marketable bonds for the Canada Pension Plan and Treasury bills. They exclude unmaturred debt payable in foreign currencies.

The second is the Statement of Revenues, Expenditures and Accumulated Deficit, which presents the Government's revenues, expenditures and deficit for the year, and the net accumulation of the annual deficits and surpluses since Confederation.

The third is the Statement of Assets and Liabilities. This statement discloses the Government's cash balances and investments, and amounts owing to and by the Government at the end of the year. It differs in some ways from a conventional private sector balance sheet. Two major differences concern items that are not reported on this statement: capital assets, having been accounted for as expenditures when acquired, and tax revenues receivable since tax revenues are generally reported on a cash basis. The difference, therefore, between total assets and total liabilities is simply the aggregate of annual budgetary deficits and surpluses determined in accordance with the accounting policies of the Government.

The fourth is the Statement of Changes in Financial Position, which provides information on the Government's cash requirements for operating and investing activities, and how these activities were financed.

In addition to the financial statements, a supplementary statement provides details of transactions under the *Debt Servicing and Reduction Account Act*. The Act calls for certain revenues including the goods and services tax (GST) to be used to service the public debt and not to fund new program spending.

Other sections in this volume, together with Volume II of the *Public Accounts of Canada* provide more detailed supplementary information in respect of matters reported in the financial statements. The opinion of the Auditor General on the financial statements does not extend to this supplementary information.

STATEMENT OF RESPONSIBILITY

The financial statements in this section are prepared by the Government of Canada in accordance with the accounting policies set out in Note 1 to the statements on a basis consistent with that of the preceding year.

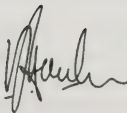
Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance, and the Receiver General for Canada in compliance with governing legislation. The financial statements are generally prepared on an accrual basis of accounting; two notable exceptions are that capital assets are charged to budgetary expenditures at the time of acquisition or construction and tax revenues are generally reported on a cash basis. The information included in these financial statements is based on the Government's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, the Government maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded so as to maintain accountability of public money and safeguard the assets and properties of Canada under Government administration. The Receiver General for Canada maintains the accounts of Canada, a centralized record of the Government's financial transactions, and obtains additional information as required, from departments, agencies and Crown corporations, to meet accounting and reporting requirements.

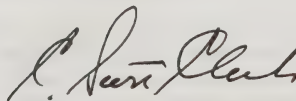
The Government presents the financial statements to the Auditor General of Canada who audits them and provides an independent opinion to the House of Commons. The duties of the Auditor General in that respect are contained in section 6 of the *Auditor General Act* and section 9 of the *Debt Servicing and Reduction Account Act*. Additional information is provided in the observations of the Auditor General at the end of this section.

Annually, the financial statements are tabled in Parliament as part of the *Public Accounts of Canada*, and are referred to the Standing Committee on Public Accounts, which reports to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

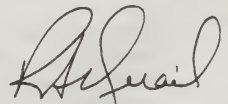
On behalf of the Government of Canada.



V. PETER HARDER
Secretary of the Treasury Board and
Comptroller General of Canada



C. SCOTT CLARK
Deputy Minister of Finance



RONALD A. QUAIL
Deputy Receiver General for Canada



**OPINION OF THE AUDITOR GENERAL
ON THE
FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA**

To the House of Commons:

I have audited the statement of assets and liabilities of the Government of Canada as at March 31, 1997 and the statements of revenues, expenditures and accumulated deficit, changes in financial position and transactions for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit, as required by section 6 of the *Auditor General Act*.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

The 1996-97 deficit is overstated by \$800 million, and both accounts payable and accrued liabilities as well as the accumulated deficit are overstated by the same amount. This results from the recording of a transaction related to the Canada Foundation for Innovation as if it were a liability, which is contrary to the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements. The \$800 million has been recorded as owing to an organization that was not in existence at March 31, 1997 (the Foundation was not legally created until April 1997). Further, the funding agreement between the Government and the Foundation was not signed until July 1997.

In my opinion, except for the effects of recording the transaction related to the Canada Foundation for Innovation as if it were a liability, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Government of Canada as at March 31, 1997 and the results of its operations, the changes in its financial position and its financial requirements for the year then ended, in accordance with the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements. As required by section 6 of the *Auditor General Act*, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with that of the preceding year.

Additional information and comments on the financial statements and this opinion are included in my observations at the end of this section.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 28, 1997

GOVERNMENT OF CANADA

Statement of Transactions
for the Year Ended March 31, 1997

(in millions of dollars)

	1997	1996
BUDGETARY TRANSACTIONS		
Revenues	140,896	130,301
Expenditures	-149,793	-158,918
Deficit for the year	-8,897	-28,617
NON-BUDGETARY TRANSACTIONS		
Net source from loans, investments and advances	275	2,698
Net source from pension and other accounts	6,865	7,646
Net source from other transactions	3,022	1,090
Net source	10,162	11,434
Source of funds (excluding foreign exchange transactions)	1,265	-17,183
NET REQUIREMENT FOR FOREIGN EXCHANGE TRANSACTIONS	-7,759	-4,704
Total financial requirements	-6,494	-21,887
NET SOURCE FROM UNMATURED DEBT TRANSACTIONS	7,305	28,549
Increase in cash	811	6,662
CASH IN BANK AT BEGINNING OF YEAR⁽¹⁾	8,555	1,893
CASH IN BANK AT END OF YEAR⁽¹⁾	9,366	8,555

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

In this statement a positive amount indicates a source of funds and a negative amount indicates a requirement for funds.

⁽¹⁾ Cash in bank excludes outstanding cheques, warrants and deposits.

GOVERNMENT OF CANADA

**Statement of Revenues, Expenditures and Accumulated Deficit
for the Year Ended March 31, 1997**
(in millions of dollars)

	1997		1996	
	Gross ⁽¹⁾	Net ⁽¹⁾	Gross ⁽¹⁾	Net ⁽¹⁾
REVENUES (Note 3)				
TAX REVENUES—				
Income tax—				
Personal	68,122	63,282	64,778	60,167
Corporation	17,020	17,020	15,955	15,955
Other income tax revenues	2,847	2,847	2,105	2,105
	87,989	83,149	82,838	78,227
Employment insurance premiums	19,816	19,816	18,510	18,510
Excise taxes and duties—				
Goods and services tax	20,951	18,079	19,174	16,375
Energy taxes	4,467	4,467	4,404	4,404
Customs import duties	2,676	2,676	2,969	2,969
Other excise taxes and duties	3,876	3,876	3,539	2,856
	31,970	29,098	30,086	26,604
TOTAL TAX REVENUES	139,775	132,063	131,434	123,341
NON-TAX REVENUES—				
Return on investments	4,276	4,210	4,567	4,475
Other non-tax revenues	8,421	4,623	6,092	2,485
TOTAL NON-TAX REVENUES	12,697	8,833	10,659	6,960
TOTAL REVENUES	152,472	140,896	142,093	130,301
EXPENDITURES (Note 4)				
TRANSFER PAYMENTS—				
Old age security benefits, guaranteed income supplement and spouse's allowance	21,207	21,606	20,430	21,034
Other levels of government	22,564	22,564	26,474	26,474
Employment insurance benefits ⁽²⁾	12,380	12,380	13,476	13,476
Child tax benefits	5,239		5,215	
Other transfer payments	20,332	17,460	20,953	18,154
TOTAL TRANSFER PAYMENTS	81,722	74,010	86,548	79,138
CROWN CORPORATION EXPENDITURES	4,823	3,578	6,040	4,321
OTHER PROGRAM EXPENDITURES—				
National Defence	8,931	8,541	10,293	9,935
All other departments and agencies	20,920	18,691	20,924	18,619
TOTAL OTHER PROGRAM EXPENDITURES	29,851	27,232	31,217	28,554
TOTAL PROGRAM EXPENDITURES	116,396	104,820	123,805	112,013
PUBLIC DEBT CHARGES	44,973	44,973	46,905	46,905
TOTAL EXPENDITURES	161,369	149,793	170,710	158,918
DEFICIT FOR THE YEAR	8,897	8,897	28,617	28,617
ACCUMULATED DEFICIT, BEGINNING OF YEAR	574,289	574,289	545,672	545,672
ACCUMULATED DEFICIT, END OF YEAR (Note 5)	583,186	583,186	574,289	574,289

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ The difference between Gross and Net is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures and tax credits and expenditures related to the tax system included in revenues.

⁽²⁾ Employment insurance benefits exclude administration costs of \$1,374 million (\$1,351 million in 1996) with no interest expense (\$228 million in 1996) related to the operation of the Employment Insurance Account. These costs have been allocated to other program expenditures and public debt charges respectively.

GOVERNMENT OF CANADA

Statement of Assets and Liabilities
at March 31, 1997
(in millions of dollars)

	1997	1996
LIABILITIES		
CURRENT LIABILITIES AND ALLOWANCES—		
Accounts payable and accrued liabilities	19,265	21,181
Interest and matured debt	10,402	7,403
Allowance for employee benefits	5,180	4,290
Allowance for loan guarantees and borrowings of Crown corporations	5,253	5,440
TOTAL CURRENT LIABILITIES AND ALLOWANCES	40,100	38,314
INTEREST-BEARING DEBT—		
Unmatured debt—		
Payable in Canadian currency—		
Marketable bonds	282,498	252,700
Treasury bills	135,400	166,100
Canada savings bonds	32,470	30,460
Bonds for Canada Pension Plan	3,468	3,478
	453,836	452,738
Payable in foreign currencies	23,016	16,809
Total unmatured debt (Note 6)	476,852	469,547
Pension and other accounts—		
Public sector pensions (Note 7)	114,205	107,882
Canada Pension Plan (net of securities) (Note 8)	3,718	3,636
Other pension and other accounts	5,782	5,322
Total pension and other accounts	123,705	116,840
TOTAL INTEREST-BEARING DEBT	600,557	586,387
TOTAL LIABILITIES	640,657	624,701
ASSETS		
CURRENT ASSETS—		
Cash in bank	9,366	8,555
Cash in transit	4,062	4,189
	13,428	12,744
Less outstanding cheques and warrants	3,253	3,700
Total cash	10,175	9,044
Accounts receivable (net of allowance for doubtful accounts of \$2,246 million (\$2,005 million in 1996))	4,416	5,972
TOTAL CURRENT ASSETS	14,591	15,016
FOREIGN EXCHANGE ACCOUNTS (Note 9)	26,813	19,054
LOANS, INVESTMENTS AND ADVANCES—		
Enterprise Crown corporations (Notes 10 and 13)	13,842	14,663
Joint and mixed enterprises	1,300	1,300
National governments including developing countries (Note 11)	3,074	3,221
International organizations (Note 11)	5,617	5,565
Provincial and territorial governments	554	709
Other loans, investments and advances	2,234	2,154
	26,621	27,612
Less allowance for valuation	10,554	11,270
TOTAL LOANS, INVESTMENTS AND ADVANCES	16,067	16,342
TOTAL ASSETS	57,471	50,412
ACCUMULATED DEFICIT (Note 5)	583,186	574,289

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

GOVERNMENT OF CANADA

Statement of Changes in Financial Position
for the Year Ended March 31, 1997

(in millions of dollars)

	1997	1996
CASH REQUIREMENTS FOR ⁽¹⁾:		
OPERATING ACTIVITIES —		
Deficit for the year	8,897	28,617
Expenditures not requiring cash :		
Interest on pension and other accounts ⁽²⁾	-11,541	-11,166
Government contribution for employee benefits	-1,654	-1,581
Provision for valuation of assets and liabilities	3,967	3,164
	-331	19,034
Net payments from pension and other accounts	3,902	3,182
Net change in current assets and liabilities	-4,165	-2,372
CASH PROVIDED BY (-) OR REQUIRED FOR OPERATING ACTIVITIES.	-594	19,844
INVESTING ACTIVITIES —		
Net increase in foreign exchange accounts	7,759	4,704
Net decrease in loans, investments and advances	-991	-3,660
CASH REQUIRED FOR INVESTING ACTIVITIES.	6,768	1,044
TOTAL CASH REQUIREMENTS	6,174	20,888
FINANCED BY:		
Net increase or decrease (-) in borrowings—		
Canadian currency	1,098	28,661
Foreign currencies	6,207	-112
	7,305	28,549
Net change in cash	1,131	7,661
CASH AT BEGINNING OF YEAR	9,044	1,383
CASH AT END OF YEAR	10,175	9,044

The accompanying notes are an integral part of this statement.

Details (unaudited) can be found in other sections of this volume.

⁽¹⁾ The figures in this statement differ from those shown in the Statement of Transactions because the non-cash transactions have been reclassified and shown separately.⁽²⁾ Interest on pension and other accounts excludes interest on the allocations of special drawing rights by the International Monetary Fund totalling \$60 million (\$69 million in 1996).

Notes to the Financial Statements of the Government of Canada

1. Summary of Significant Accounting Policies

Reporting entity

In these financial statements, the Government of Canada includes the financial activities of all of its departments, agencies, corporations and funds, which are owned or controlled by the Government and which are accountable to Parliament, except for:

- i. the Canada Pension Plan, which is under joint control of the Government and participating provinces. Payments of pensions and benefits from the Plan are financed from contributions by employers, employees and self-employed persons, as well as from interest on investments which are mainly in provincial government securities; and
- ii. enterprise Crown corporations which are not dependent on the Government for financing their activities. For these corporations, the Government reports in these financial statements only the cost of its investment less an allowance for valuation, as well as any amounts receivable from or payable to the corporations.

Basis of accounting

The Government reports revenues and expenditures on both a gross and net basis. On the net basis, certain expenditures are deducted from revenues and certain revenues are deducted from expenditures as described in Note 3.

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. However, cases of tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued, are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the child tax benefit program are charged in the period to which they relate.

Non-tax revenues are reported on an accrual basis.

Expenditures for Government operations are recorded when goods are received or services are

rendered. Transfer payments are recorded as expenditures when paid or when the recipient has fulfilled the terms of a contractual transfer agreement. Capital leases are recorded as expenditures over the lease term as payments are made. Expenditures include allowances for any changes in the value of any assets, or to reflect liabilities at their economic value.

Financial claims are recorded as assets, except for those related to tax revenues. Assets are recorded at cost and are subject to annual valuation to reflect reductions from their recorded value to the estimated realizable value. The costs of acquiring land, buildings, structures, equipment and other capital property are recorded as expenditures at the time of acquisition or construction.

Financial obligations to outside organizations or individuals are recorded as liabilities if the underlying event occurred prior to or at year end. Liabilities are recorded at the estimated amount ultimately payable, with such estimates being revised on an annual basis.

Concessionary loans

Loans made on a long-term, low-interest or interest-free basis, and investments in organizations that make similar loans, are included in full or in part as expenditures when the economic value of these loans is reduced due to their concessionary terms.

Sovereign loans

Loans to sovereign governments are considered collectible unless they are formally repudiated by the debtor. However, the Government has provided allowances on the expectation that debt or debt service relief may be offered to certain sovereign debtors pursuant to multilateral agreements.

Gold reserves

The Government's gold reserves are included in the international reserves held in the Exchange Fund Account and are valued in relation to international agreements and a basket of five major currencies. More details on gold reserves are provided in Note 9.

Employee benefits

Employees' entitlements to severance and pension benefits are reported on an actuarial basis. This process is intended to determine the current value of future entitlements and uses various estimates. For pensions, when actual experience varies from estimates, the adjustments needed are amortized over the estimated average remaining service lives of the employees. More details on public sector pensions are provided in Note 7.

Contingent liabilities

Contingent liabilities, generally, are reported in the notes to the financial statements until one or more future events occur or fail to occur. At such time, they may become actual liabilities and, if so, they are then recorded in the accounts. An exception is made for losses on loan guarantees which are accrued as liabilities when it is likely that a payment will be required in the future to honour a guarantee and where the amount of the loss can be reasonably estimated. Specific amounts of contingent liabilities are reported when available. Where specific amounts are not available, estimates of potential liability are used, if determinable. Items for which no reasonable estimate can be made are not included. More details on contingent and environmental liabilities are provided in Notes 14 and 15 respectively.

Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using rates at March 31.

Use of estimates

The preparation of financial statements in accordance with stated accounting policies requires the Government to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant although, at the time of preparation of these statements, the Government believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to public sector pensions described in Note 7.

Comparative information

Comparative figures are reclassified to conform to the current year's presentation.

2. Spending and Borrowing Authorities

i. Spending authorities

The authority of Parliament is required before monies can be spent by the Government. Some approvals are given in the form of annually approved limits (appropriation acts). Other approvals come from other legislation in the form of statutory spending authority for specific purposes (for example, old age security). During the year, expenditures were made under the following authorizations:

	(in millions of dollars)	
	1997	1996
Annual spending limits voted by Parliament	47,612	49,551
Expenditures permitted under other legislation	97,370	104,722
Total expenditures authorized during the year	144,982	154,273
Less amount available for use in subsequent years and lapsed, net of overexpended amounts	3,683	4,225
Total used in the current year	141,299	150,048
Effect of consolidating certain accounts and provision for valuation	8,494	8,870
Net total expenditures	149,793	158,918

The use of budgetary expenditure authorities as reported in the preceding table differs from the total net expenditures reported in the Statement of Revenues, Expenditures and Accumulated Deficit. Certain accounts with separate non-budgetary authorities and certain Crown corporations are consolidated with the Government's financial statements but are not included in the expenditure (budgetary) authorities available for use. In addition, the authorities exclude the general provision for valuation of assets and liabilities, which is authorized by section 63 of the *Financial Administration Act*.

In addition to the authorities for budgetary expenditures, non-budgetary spending of \$51,782 million (\$54,766 million in 1996) was authorized for loans, investments and advances. A net amount of \$88 million was used (\$1,423 million in 1996), an amount of \$87 million (\$3,604 million in 1996) lapsed and an amount of \$51,607 million (\$49,739 million in 1996) is available for use in subsequent years.

Details (unaudited) about the source and disposition of authorities are provided in Volume II (Part I) of the *Public Accounts of Canada*.

ii. *Overexpenditure of spending authorities*

During the year, program expenditures Vote 30 of the Offices of the Information and Privacy Commissioners of Canada was overexpended by less than \$50 million.

Details (unaudited) of the overexpended vote can be found in the ministerial sections of Volume II (Part I) of the *Public Accounts of Canada*.

iii. *Borrowing authorities*

The Government may borrow only on the authority of Parliament. The laws authorizing borrowings may be summarized as follows:

	(in millions of dollars)	
	1997	1996
Total authorities granted	18,700	28,900
Less:		
Authorities used during		
the year	6,831	28,668
Authorities lapsed during		
the year	11,869	232
Unused authorities at		
end of year	NIL	NIL

The difference between the use of borrowing authorities of \$6,831 million (\$28,668 million in 1996) and the increase in unmatured debt for the year of \$7,305 million (\$28,549 million in 1996) is made up of changes in the exchange rate for debt issued in foreign currency and changes in the amount of Canadian debt held by consolidated Crown corporations.

3. **Revenues**

In the Statement of Revenues, Expenditures and Accumulated Deficit, revenues and expenditures are reported on both a gross and net basis. The difference between the two is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, and tax credits and expenditures related to the tax system included in revenues. Gross and net transactions are presented in the following tables.

i. *Personal income tax*

The following table presents details of personal income tax revenues as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

	(in millions of dollars)	
	1997	1996
Gross personal income tax	68,122	64,778
Less:		
Child tax benefits—		
Child tax credits		21
Child tax benefit payments	5,239	5,197
Old Age Security		
benefit repayments	-399	-607
Net personal income tax	63,282	60,167

Details (unaudited) can be found in Section 3 of this volume.

The difference between the gross and net totals of personal income tax revenues consists of items that are related to expenditures but are determined through the income tax or fiscal arrangements processes. These items are reflected in the gross amounts of the relevant transfer payments in the Statement of Revenues, Expenditures and Accumulated Deficit.

ii. *Excise taxes and duties*

The following table presents details of the goods and services tax (GST), and other excise taxes and duties as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

	(in millions of dollars)	
	1997	1996
Goods and services tax received	40,733	38,048
Less:		
Refunds	17,540	16,482
Rebates ⁽¹⁾	1,369	1,531
GST paid by		
ministries	873	861
Gross goods and services tax	20,951	19,174
Less other transfer payments—		
Quarterly tax credits	2,872	2,799
Net goods and services tax	18,079	16,375
Gross other excise taxes and duties	3,876	3,539
Less other program expenditures—Revenues		
netted against expenditures		683
Net other excise taxes and duties	3,876	2,856

Details (unaudited) can be found in Section 3 of this volume.

⁽¹⁾ GST rebates are reported net of GST collected by claimants.

The difference between gross and net GST represents quarterly tax credits which are related to expenditures but are determined through the personal income tax process. These credits are reflected in the gross amounts of other transfer payments in the Statement of Revenues, Expenditures and Accumulated Deficit. The difference between gross and net other excise taxes and duties represents revenues netted against expenditures. These revenues are reflected in the gross amounts of other program expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

iii. Non-tax revenues

The following table presents details of non-tax revenues as classified in the Statement of Revenues, Expenditures and Accumulated Deficit:

	(in millions of dollars)	
	1997	1996
Gross return on investments		
Loans, investments and advances	2,461	3,076
Foreign exchange accounts	1,500	1,424
Other	315	67
	4,276	4,567
Less:		
Other program expenditures—		
Revenues netted against expenditures	30	38
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	36	54
Net return on investments	4,210	4,475
Gross other non-tax revenues	8,421	6,092
Less:		
Other program expenditures—		
Revenues netted against expenditures	2,589	1,942
Crown corporation expenditures—		
Revenues of consolidated		
Crown corporations	1,209	1,665
Net other non-tax revenues	4,623	2,485

Details (unaudited) can be found in Section 3 of this volume.

The difference between the gross and net totals of return on investments and other non-tax revenues consists of revenues netted against expenditures and revenues of consolidated Crown corporations. These revenues are reflected in the gross amounts of other program expenditures and Crown corporation expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

4. Expenditures

Expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit are as follows:

i. By type of resources acquired or disbursements made

	(in millions of dollars)	
Standard Object	1997	1996
(1) Personnel	15,358	16,747
(2) Transportation and communications ..	1,848	1,797
(3) Information	243	242
(4) Professional and special services.	3,329	3,241
(5) Rentals	988	1,017
(6) Purchased repair and maintenance	1,332	1,325
(7) Utilities, materials and supplies	2,686	2,690
(8) Construction or acquisition of land, buildings and works	1,060	776
(9) Construction or acquisition of machinery and equipment	2,795	3,266
(12) Other subsidies and payments	5,035	6,156
	34,674	37,257
(13) Less:		
Revenues netted against expenditures	2,619	2,663
Revenues of consolidated Crown corporations	1,245	1,719
Net total—Other program and Crown corporation expenditures	30,810	32,875
(10) Gross transfer payments	81,722	86,548
Less tax credits and repayments	7,712	7,410
Net transfer payments	74,010	79,138
Total net program expenditures	104,820	112,013
(11) Public debt charges	44,973	46,905
Total net expenditures	149,793	158,918

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

ii. Transfer payments to other levels of government

	(in millions of dollars)	
	1997	1996
Canada health and social transfer ⁽¹⁾	14,911	
Fiscal arrangements	9,820	9,803
Canada Assistance Plan	105	7,191
Education support	-41	2,365
Insurance and medical care	-217	7,115
Alternative payments for standing programs ⁽²⁾	-2,014	
Total	22,564	26,474

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

⁽¹⁾ The Canada health and social transfer was introduced in 1996-97 to replace the Canada Assistance Plan, education support, and insurance and medical care.

⁽²⁾ This amount represents reduced transfer payments to one province where that province and the Federal Government have entered into an arrangement under which the Federal Government provides an abatement for personal income taxes to taxpayers of that province.

iii. Other transfer payments by ministry

	(in millions of dollars)	
	1997	1996
Indian Affairs and Northern Development	3,898	3,666
Industry	2,093	2,402
Human Resources Development	2,080	2,521
Foreign Affairs and International Trade	2,052	2,081
Agriculture and Agri-Food	1,741	1,813
Finance	1,528	576
Veterans Affairs	1,369	1,391
Other ministries	2,699	3,704
Total	17,460	18,154

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

iv. Other program expenditures by ministry

	(in millions of dollars)	
	1997	1996
Solicitor General	2,544	2,580
National Revenue	2,049	2,055
Public Works and Government Services	1,635	1,672
Industry	1,530	1,739
Fisheries and Oceans	1,164	1,179
Foreign Affairs and International Trade	1,127	1,101
Other ministries	8,642	8,293
	18,691	18,619
National Defence	8,541	9,935
Total	27,232	28,554

Details (unaudited) can be found in Section 1 of Volume II (Part I) of the *Public Accounts of Canada*.

v. Public debt charges

	(in millions of dollars)	
	1997	1996
Interest on—		
Unmatured debt	25,589	23,805
Pension and other accounts	11,600	11,235
Amortization of discounts on Canada and Treasury bills	7,392	11,422
Amortization of premiums, discounts and commissions on all other debt	342	390
Servicing costs and costs of issuing new borrowings	50	53
Total public debt charges	44,973	46,905

Details (unaudited) can be found in Section 3 of this volume.

5. Accumulated Deficit

In accordance with its stated accounting policies, the Government includes in its revenues and expenditures, the transactions of consolidated Crown corporations and of certain accounts for specified purposes. Legislation requires that the revenues of these accounts be identified and that related payments be charged against such revenues. Any deficiency of payments over revenues must be met through future revenues from these accounts. The following table shows the balances of these consolidated accounts and the retained earnings of the consolidated Crown corporations included in the accumulated deficit:

	(in millions of dollars)	
	1997	1996
Accumulated deficit excluding consolidated accounts	589,045	573,267
Consolidated accounts—		
Employment Insurance Account	-6,468	142
Western Grain Stabilization Account	1,085	1,088
Crop Reinsurance Fund	222	285
Other insurance accounts	-261	-277
Agriculture Commodities Stabilization Accounts	-11	-19
Other consolidated accounts	-377	-267
	583,235	574,219
Consolidated Crown corporations	-49	70
Accumulated deficit	583,186	574,289

Details (unaudited) can be found in Section 4 of this volume.

6. Unmatured Debt and Other Financial Instruments

i. Unmatured debt

The following table presents maturity of debt issues and interest rates by currency and type at face value. As a normal practice, the Government does not repurchase its debt prior to maturity and, therefore, no fair values of debt issued are presented.

Maturing years	(in millions of dollars)							
	Marketable bonds				Bonds for Canada Pension Plan	Canada bills		Canada notes
	Canadian \$	US \$ expressed in Canadian \$	Treasury bills	Canada savings bonds ⁽¹⁾		US \$ expressed in Canadian \$	US \$ expressed in Canadian \$	Total
1998	27,973	2,769	135,400	3,373	11	8,436	573	178,535
1999	35,975	2,769		3,212	12		1,008	42,976
2000	30,903				18		242	31,163
2001	26,950	2,076			23		7	29,056
2002	21,121	1,384		2,557	18		291	25,371
2003 and subsequent	139,641	3,461		24,351	3,386			170,839
	282,563	12,459	135,400	33,493	3,468	8,436	2,121	477,940
Less Government's holdings of unmatured debt	65			1,023				1,088
	282,498	12,459	135,400	32,470	3,468	8,436	2,121	476,852
Nature of interest rate ⁽²⁾	Fixed ⁽³⁾	Fixed	Variable	Variable	Fixed	Variable	Fixed	
Effective average annual interest rate	8.09	6.23	3.68	6.75	10.21	5.37	6.12	
Range of interest rates	3.75-15.75	5.25-6.75	2.80-5.60	3.00-7.50	8.77-17.51	5.18-5.75	5.45-6.68	

Details (unaudited) can be found in Section 6 of this volume.

⁽¹⁾ Canada savings bonds are redeemable on demand.

⁽²⁾ Debt with maturity terms of less than one year is considered to have a variable interest rate.

⁽³⁾ Includes real return bonds which have a variable component based on the consumer price index.

ii. Derivative financial instruments

(a) Swap agreements

Government debt is issued at both fixed and variable interest rates and is denominated in both Canadian and US dollars. The Government has entered into interest rate and currency swap agreements to facilitate management of its debt structure. In the case of interest rate swap agreements, fixed interest rate funding has been converted to variable rates tied to the Banker's Acceptance rates. In the case of cross currency swap agreements, Canadian dollar debt has been converted

into US dollars with either fixed interest rates or variable interest rates tied to the London Interbank Offered Rates (LIBOR). As a normal practice, the Government swap positions are held to maturity, and therefore, no fair values are presented. The interest paid or payable and the interest received or receivable on all swap transactions are recorded as part of public debt charges in the Statement of Revenues, Expenditures and Accumulated Deficit.

Swaps with contractual or notional principal amounts outstanding at March 31, 1997 were as follow:

Maturing years	(in millions of dollars)			
	1997		1996	
	Interest rate swaps Canadian \$	Cross currency swap Canadian \$	Interest rate swaps Canadian \$	Cross currency swap Canadian \$
1997			300	
1998	4,200 ⁽¹⁾		4,200 ⁽¹⁾	
1999	1,350		1,350	
2000	500	400	500	400
2001				
2002	250	1,360	250	
2003 and subsequent	50	681	50	681
	6,350	2,441	6,650	1,081

⁽¹⁾ Includes \$1,100 million of rate-adjusting swaps overlaid on existing swaps.

(b) Credit risk

The Government manages its exposure to credit risk by dealing substantially with financial institutions having credit ratings of at least Standard & Poor's AA- for instruments with remaining maturity terms between 3 and 10.5 years and at least A for terms of up to 3 years.

The Government does not anticipate any significant loss with respect to its swap agreements.

The following table presents the swap agreements by internationally accepted ratings assigned by Standard and Poor's:

Standard and Poor's	(in millions of dollars)	
	1997	1996
AAA		1,381
AA+	2,741	50
AA	1,350	1,300
AA-	4,200 ⁽¹⁾	4,500 ⁽¹⁾
A+	350	350
A	150	
A-		150
	8,791	7,731

⁽¹⁾ Includes \$1,100 million of rate-adjusting swaps overlaid on existing swaps.

7. Public Sector Pensions

The Government is responsible for defined benefit pension plans covering substantially all of its full-time employees (including the Public Service, Canadian Forces, Royal Canadian Mounted Police and certain Crown corporations) as well as federally appointed judges and Members of Parliament. Pension benefits are

generally calculated by reference to highest earnings for a specified period of time. They are related to years of service and are indexed to inflation. Separate funds are not set aside to provide for payment of these pension benefits.

Annually, pension obligations are estimated by projecting benefits expected to be paid in the future and calculating their present value. Many assumptions are required for this process, including estimates of future inflation, interest rates, general wage increases, work-force composition, retirement rates and mortality rates. The long-term rate of inflation used in the valuation is 2.0 percent.

The Government uses its best estimates for the assumptions affecting these pension obligations. Changes in assumptions can result in significantly higher or lower estimates of liabilities. For example, an increase of 1 percent in the inflation rate would increase the pension liability by approximately \$9,300 million, whereas an increase of 1 percent in interest rates would reduce the pension liability by about \$11,600 million.

The pension liability recorded in the financial statements is comprised of the accrued benefit obligation determined as of March 31, 1997, which amounted to \$93,574 million (\$86,530 million in 1996) and unamortized pension adjustments of \$20,631 million (\$21,352 million in 1996). Pension adjustments arise when actual experience varies from estimates and will be amortized over periods ranging from 7 to 14 years, which will reduce expenditures in those years.

Interest at the Government's long-term bond rate (about 10.2 percent in 1997 and 10.4 percent in 1996) is calculated in accordance with the pension legislation and is reported as part of the public debt charges. Charges to expenditures are summarized as follows:

	(in millions of dollars)	
	1997	1996
Employer contributions	1,495	1,427
Pension costs attributable to Public		
Service restructuring	397	572
Public Service Superannuation Act		
pension plan amendment		415
Statutory payments under various acts	86	86
Less amortization of estimation		
adjustments	-2,575	-2,399
Net pension costs	-597	101
Interest charged to public		
debt charges	11,137	10,481
	10,540	10,582

Details (unaudited) can be found in Section 6 of this volume.

8. Canada Pension Plan

As explained in Note 1, the financial activities of the Canada Pension Plan are not included in these financial statements.

The Plan is a federal/provincial program for compulsory and contributory social insurance. It operates in all parts of Canada, except for the Province of Quebec which has a comparable program. The Plan is administered by the Government of Canada under joint control with the participating provinces.

The Canada Pension Plan Account was established in the accounts of Canada to record the contributions, interest, pensions and benefits and administration expenditures of the Plan. Additionally, the Canada Pension Plan Investment Fund was established in the accounts of Canada to record the investment in securities of the provinces, territories and Canada. The liability at March 31, 1997 is reported as the balance in the Account net of securities held by the Fund.

A summary of the financial activities of the Plan is presented as follows :

	(in millions of dollars)	
	1997	1996
Canada Pension Plan Account—		
Balance at beginning of year	39,168	40,373
Contributions received	11,391	10,607
Interest earned	4,118	4,376
Pensions and benefits paid	-16,676	-15,969
Administration expenditures	-242	-219
Balance at end of year	37,759	39,168
Invested in—		
Provincial and territorial securities	30,573	32,054
Canada bonds	3,468	3,478
Deposit with the Receiver General		
for Canada	3,718	3,636
	37,759	39,168

The financial statements of the Plan are included in Section 6 of this volume.

The Plan is financed on a pay-as-you-go basis, which means that pensions and benefits are paid out of current contributions. As administrator, the Government's authority to spend is limited to the balance of the Account of \$37,759 million (\$39,168 million in 1996). Governing legislation does not require the Plan obligations to be determined on an actuarial basis (a process that estimates the current value of future benefits using various assumptions). The balance in the Account is therefore planned, over time, to equal about two times the projected annual payments in the following year. The Fifteenth Actuarial Report on the Canada Pension Plan prepared by the Chief Actuary of the Office of the Superintendent of Financial Institutions provides further discussion on funding of the Plan.

9. Foreign Exchange Accounts

i. Foreign exchange accounts

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations.

The following table presents the balances of foreign exchange accounts:

	(in millions of dollars)	
	1997	1996
International reserves held in the Exchange Fund Account	26,726	18,908
International Monetary Fund—Subscriptions	8,295	8,580
	35,021	27,488
Less:		
International Monetary Fund—Notes payable	6,712	6,886
Special drawing rights allocations	1,496	1,548
	8,208	8,434
Total foreign exchange accounts	26,813	19,054

Details (unaudited) can be found in Section 8 of this volume.

ii. Gold reserves

The Government keeps certain investments in its Exchange Fund Account to aid in the control and protection of the external value of the Canadian dollar. Part of these investments is kept in the form of gold: 3.1 million fine ounces (3.3 million fine ounces in 1996). These gold holdings are valued at 35 Special Drawing Rights (SDRs) or \$67.20 (\$69.51 in 1996) per fine ounce, which approximates cost. An SDR is a unit of account used by the International Monetary Fund valued in terms of a basket of five major currencies. This valuation results in a recorded value of \$207 million (\$230 million in 1996), which is much lower than the market value of \$1,488 million (\$1,778 million in 1996) using a value of \$481.98 per fine ounce (\$538.68 in 1996).

Further details are provided in the financial statements of the Exchange Fund Account in Section 8 of this volume.

10. Loans, Investments and Advances

i. Loans, investments and advances include the following:

	(in millions of dollars)	
	1997	1996
Enterprise Crown corporations—		
Canada Mortgage and Housing Corporation	6,964	7,288
Farm Credit Corporation	3,625	3,428
Export Development Corporation	983	983
Canada Deposit Insurance Corporation ..	855	1,627
Business Development Bank of Canada ..	403	353
Other	1,012	984
Total enterprise Crown corporations	13,842	14,663
Joint and mixed enterprises—		
Petro-Canada	1,226	1,226
Other	74	74
	1,300	1,300
International organizations	5,617	5,565
National governments including developing countries	3,074	3,221
Provincial and territorial governments	554	709
Other	2,234	2,154
Total loans, investments and advances	26,621	27,612

Details (unaudited) can be found in Section 9 of this volume.

ii. Crown corporations

The Government wholly owns fifty-four corporations referred to as Crown corporations.

Some of these corporations rely on the Government for most of their financing. There are twenty-two such corporations (21 in 1996) whose financial activities are consolidated in these financial statements. Therefore, no loan balances with these corporations are recorded in the table above. The major corporations are Atomic Energy of Canada Limited, Canadian Broadcasting Corporation, Marine Atlantic Inc. and VIA Rail Canada Inc. Details of these corporations are included in Section 4 of this volume.

Other corporations are able to raise substantial portions of their revenues through commercial business activity and are self-sustaining; these corporations are called enterprise Crown corporations. Their assets, liabilities, revenues and expenses are not included in these financial statements, except that their borrowings are recorded as liabilities of the Government when they are not expected to be repaid directly by these corporations. Details of these corporations are included in Section 9 of this volume.

Financial statements of all Crown corporations are included in the President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada.

iii. Enterprise Crown corporations

As shown in *i.* above, the Government's recorded financial assets for this group amount to \$13,842 million (\$14,663 million in 1996). Of this amount, \$3,338 million (\$3,234 million in 1996) represents investments in capital stock and contributed capital of the corporations. The balance represents loans and advances made by the Government.

Financial results for the enterprise Crown corporations are summarized as follows:

	(in millions of dollars)	
	1997	1996
Assets (including capital assets and deferred charges of \$5,719 (\$6,032 in 1996))	81,301	76,572
Liabilities	76,528	72,390
Net equity	4,773	4,182
Revenues	18,316	17,798
Expenses	16,205	15,445
Net income for the year	2,111	2,353
Other changes in equity		
Dividends ⁽¹⁾	-1,371	-1,859
Other	-149	-2,691
	591	-2,197
Opening net equity	4,182	6,379
Closing net equity	4,773	4,182
Contractual commitments	7,346	5,519
Contingent liabilities	877	544

Details (unaudited) can be found in Section 9 of this volume.

⁽¹⁾ Amounts reported as dividends include \$1,310 million (\$1,841 million in 1996) from the Bank of Canada.

11. International Development Assistance—Loans and Subscriptions

i. Loans to developing countries

Included in loans to national governments of \$3,074 million (\$3,221 million in 1996) are loans to developing countries of \$1,676 million (\$1,752 million in 1996). Due to the concessionary nature of these loans (extended terms, low interest rates or no interest), loans signed before April 1, 1986 have been fully provided for in the allowance for valuation of assets. Any repayments received on these loans are included in revenues when received. All similar loans disbursed after April 1, 1986 have been treated as budgetary expenditures.

Details (unaudited) can be found in Section 9 of this volume.

ii. Loans, investments and advances to international organizations

Loans, investments and advances to international organizations, including development banks and their related funds, total \$5,617 million (\$5,565 million in 1996). Included in this total are deferred expenditures totalling \$1,793 million (\$1,905 million in 1996). The deferred expenditures will be charged to expenditures as corresponding notes payable to the same organizations (included in accounts payable and accrued liabilities) are encashed. These notes are non-interest bearing, non-negotiable and payable on demand, although normally encashed within seven years.

Generally, advances to the funds are considered to be of a more concessionary nature as the funds lend to developing countries on beneficial terms. Accordingly, advances to the funds prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets. Advances to the funds after April 1, 1986 have been treated as budgetary expenditures.

Details (unaudited) can be found in Section 9 of this volume.

12. Contractual Commitments

The nature of Government activity results in some large multi-year contracts and obligations. Major contractual commitments that can be reasonably estimated are summarized as follows:

	(in millions of dollars)	
	1997	1996 ⁽¹⁾
Transfer payment agreements	11,308	11,110
Acquisition of property and equipment, and goods and services	3,775	3,285
Operating and capital leases	4,198	4,077
International organizations	1,734	1,516
Benefit plans for veterans	5,811	5,750
Pension liability under Continuation Acts	210	230
	27,036	25,968

Details (unaudited) can be found in Section 10 of this volume.

⁽¹⁾ The 1996 figures have not been restated to reflect the lower reporting thresholds adopted in 1997.

Estimated expenditures against these commitments in future years are as follows:

Year	(in millions of dollars)
1998	6,867
1999	5,296
2000	4,342
2001	3,648
2002	3,520
2003 and subsequent	3,363
	27,036

Details (unaudited) can be found in Section 10 of this volume.

i. Transfer payment agreements

Included in the transfer payment agreements commitments of \$11,308 million (\$11,110 million in 1996) is an amount of \$8,692 million (\$8,868 million in 1996) related to various contractual obligations of the Government through Canada Mortgage and Housing Corporation (CMHC) for social housing programs. These agreements are made to provide funding for projects for up to 40 years. Honouring these obligations currently amounts to about \$1,800 million per year. Uncertainty in forecasting makes estimates beyond the year 2002 unreliable. Accordingly, the amounts reported for CMHC under transfer payment agreements cover only to this year.

ii. Operating and capital leases

Capital leases have various terms up to 50 years. Of the total of \$4,201 million (\$4,077 million in 1996) in operating and capital leases, \$2,804 million (\$3,106 million in 1996) represents future payments for capital leases. Of this, \$1,591 million (\$2,020 million in 1996) is imputed interest and executory costs.

iii. Benefit plans for veterans

Under the *Pension Act*, the Government provides pensions and benefits for disability or death arising from military service. Estimated annual expenditures under this Act will approximate \$1,200 million per year over the next few years. Uncertainty in forecasting makes estimates beyond the year 2002 unreliable. Accordingly, the amounts reported under benefit plans for veterans cover only to this year.

13. Insurance Programs

Three enterprise Crown corporations, whose financial affairs are not consolidated with these financial statements, operate insurance programs for the Government. In the event the corporations have insufficient funds, the Government will have to provide financing.

Canada Deposit Insurance Corporation provides basic protection coverage to depositors for up to \$60,000 deposited with each member bank, trust or loan company. Total insured deposits at March 31, 1997 amounted to \$317,053 million (\$327,757 million in 1996). The Corporation is expected to be self-financing through premiums collected from members. However, at March 31, 1997, it has accumulated a shortfall of \$1,176 million (\$1,301 million in 1996). The Government expects that this amount will be made up from members' premiums in future years and that no cost will be incurred by the Government.

Canada Mortgage and Housing Corporation operates the Mortgage Insurance Fund which provides insurance for mortgage lending on Canadian housing by private institutions. Insurance in force at March 31, 1997 was \$135,100 million (\$118,600 million in 1996). The Fund has a surplus of \$19 million at March 31, 1997 (\$29 million in 1996). Budgetary financial assistance, although rare, is provided at the discretion of the Government.

Export Development Corporation (EDC) provides export and foreign investment insurance to help with export trade. Insurance in force at March 31, 1997 was \$9,329 million (\$7,821 million in 1996). The EDC insurance portfolio has a surplus of \$217 million at March 31, 1997 (\$184 million in 1996). The premiums collected by the Corporation are expected to cover the cost of both current claims and possible future claims.

Details (unaudited) can be found in Section 10 of this volume.

14. Contingent Liabilities

Contingent liabilities which may become actual liabilities, are summarized as follows:

	(in millions of dollars)	
	1997	1996
Guarantees by the Government	39,314	37,003
Less allowance for losses	5,253	5,440
	34,061	31,563
International organizations	16,233	17,768
Claims and pending and threatened litigation	13,324	11,114
Consolidated Crown corporations	34	35
	63,652	60,480

Details (unaudited) can be found in Section 10 of this volume.

The Government records an allowance for losses on loan guarantees and for borrowings of enterprise Crown corporations when it is likely that a future payment will be made.

The Government has callable share capital in certain international organizations that could require payment to these agencies.

Included in claims and pending and threatened litigation are aboriginal claims of \$8,167 million (\$5,552 million in 1996) and comprehensive aboriginal land claims of \$581 million (\$623 million in 1996). Approximately 593 additional specific aboriginal claims related to statutory and treaty obligations have not been totally quantified in 1997 (454 in 1996) along with 57 comprehensive land claims (57 in 1996).

There are three class action suits which have been commenced against the Government with allegations of negligence for infections transmitted through blood and blood products. Because of the complexity involved in determining any federal obligation, an estimate of potential liability cannot be made at this time.

Also included in claims and pending and threatened litigation is \$1,349 million (\$1,760 million in 1996) relating to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1997.

15. Environmental Liabilities

The Government has adopted a Code of Environmental Stewardship covering all areas of its operations. The Code will be complemented by a list of targets and objectives reflecting environmental commitments that the Government has made or is making and that will be implemented in its operations. They will cover a broad range of issues, from real property management and waste generation to contaminated site clean-up.

While estimates of total radioactive and non-radioactive waste clean-up costs for Canada have ranged as high as \$30,000 million, much of this amount is clearly the responsibility of other levels of government and the private sector. Some estimates place the federal share at \$2,800 million. However, reasonable estimates of costs attributable to the Government cannot be fully determined at this time. The determination of these costs will be subject to and depend on evolving public policy, legislation, and results of the search for long-term cost-effective waste disposal solutions. The Government will continue to work toward the reasonable determination and disclosure of environmental liabilities in accordance with generally accepted accounting principles.

SUPPLEMENTARY STATEMENT

In the February 1991 Budget, the Government introduced measures aimed at improving its financial and economic position. These measures included proposals for a *Debt Servicing and Reduction Account Act*. On June 18, 1992, the Act was passed by Parliament with implementation for the 1991-92 fiscal year.

The intention of this Act is to limit program spending. The *Debt Servicing and Reduction Account Act* calls for certain revenues including the goods and services tax (GST) to be used to service the public debt and not to fund new program spending. Transactions in respect of this Act are reported in the following statement.

OPINION OF THE AUDITOR GENERAL ON THE STATEMENT OF TRANSACTIONS OF THE DEBT SERVICING AND REDUCTION ACCOUNT

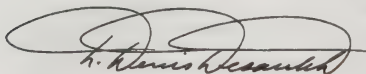
To the House of Commons:

I have audited the statement of transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1997. This financial statement is the responsibility of the Government. My responsibility is to express an opinion on this financial statement based on my audit, as required by section 9 of the *Debt Servicing and Reduction Account Act*.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting policies used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the transactions of the Debt Servicing and Reduction Account for the year ended March 31, 1997 in accordance with the *Debt Servicing and Reduction Account Act* and the stated accounting policies of the Government of Canada as set out in Note 2 to the financial statement. As required by section 9 of the *Debt Servicing and Reduction Account Act*, I also report that, in my opinion, these stated accounting policies have been applied, in all material respects, on a basis consistent with that of the preceding year.

Additional information and comments on the financial statement and this opinion are included in my observations at the end of this section.



L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 28, 1997

Debt Servicing and Reduction Account
Statement of Transactions
for the Year Ended March 31, 1997
(in thousands of dollars)

	1997	1996
Goods and services tax received	40,732,993	38,048,138
Less: Refunds	17,539,687	16,481,988
Rebates	1,369,528	1,531,333
GST paid by ministries	872,963	861,488
Quarterly tax credits	2,872,081	2,798,941
	<u>22,654,259</u>	<u>21,673,750</u>
Net goods and services tax	18,078,734	16,374,388
Penalties and interest received		
for goods and services tax	158,696	134,944
Gain on disposal of investments		325,000
Gifts to the Crown	321	264
Proceeds credited to the Account	<u>18,237,751</u>	<u>16,834,596</u>
Public debt expenditures charged to the Account		
Public debt expenditures chargeable to the Account (Note 3)	33,006,211	35,291,501
Less amount in excess of the Account's balance ⁽¹⁾	<u>14,768,460</u>	<u>18,456,905</u>
	<u>18,237,751</u>	<u>16,834,596</u>
Account balance, end of year	NIL	NIL

The accompanying notes are an integral part of this statement.

⁽¹⁾ Public debt expenditures chargeable to the Account exceeded the amount available in the Account balance for these charges. Under these circumstances, only the amount necessary to bring the Account balance to nil is charged to the Account as required under section 6 of the *Debt Servicing and Reduction Account Act*.

**Notes to the Statement of Transactions of
the Debt Servicing and Reduction Account**

1. Authority and Objective

On June 18, 1992, the *Debt Servicing and Reduction Account Act* received Royal Assent. Section 8 of the Act requires that the *Public Accounts of Canada* for the 1991-92 and each subsequent year contain a statement setting out the transactions in that year with respect to the Debt Servicing and Reduction Account.

The objective of the *Debt Servicing and Reduction Account Act* is to apply certain Government revenues against charges associated with the public debt. These revenues include goods and services tax (GST), certain gains on disposals of investments in Crown corporations, and gifts to the Crown. The transactions recorded in the Account have been paid into or charged against the Consolidated Revenue Fund, and the Account is consolidated in the summary financial statements of the Government.

2. Significant Accounting Policies

i. Goods and services tax (GST)

The Government generally reports the GST in the year in which it is received.

The GST refunds and rebates are allocated to the year in which they are paid. The GST quarterly tax credits are charged in the first month of the quarter to which they relate. GST rebates are reported net of GST collected by claimants.

ii. Other amounts credited to the Account

Gain on sale of shares in Crown corporations, gain on disposal of shares or interest on wind-up of Crown corporations and gifts to the Crown are reported in the year in which the transactions or events that give rise to these revenues occur.

iii. Public debt expenditures charged to the Account

Public debt expenditures include costs incurred by the Government during the year in servicing, issuing, repayment, discharge or settlement of a debt, under the authority of a *Borrowing Authority Act*.

3. Public Debt Expenditures Chargeable to the Account

Public debt expenditures chargeable to the Account are calculated as follows:

	(in thousands of dollars)	
	1997	1996
Public debt charges.....	44,973,191	46,905,395
Less: amounts unrelated to a <i>Borrowing Authority Act—</i> Interest on unmatured debt ⁽¹⁾	366,557	379,091
Interest on pension and other accounts.....	11,600,423	11,234,803
Public debt expenditures chargeable to the Account.....	33,006,211	35,291,501

⁽¹⁾ Interest on unmatured debt is related to special non-marketable bonds held by the Canada Pension Plan Investment Fund.

**SUPPLEMENTARY INFORMATION
OBSERVATIONS BY THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS
OF THE GOVERNMENT OF CANADA AND THE STATEMENT OF TRANSACTIONS
OF THE DEBT SERVICING AND REDUCTION ACCOUNT**

Introduction

In these observations, I explain why I included a reservation of opinion on the Government's financial statements. As well, I report on a number of other issues that relate to the Government's financial statements and my audits of them. Each part of the observations begins with a brief overview.

The first part of Section 1 of Public Accounts Volume I comprises the Financial Statements of the Government of Canada for the year ended March 31, 1997 and my audit opinion on them. The mandate for my audit of these statements is contained in section 6 of the *Auditor General Act*. Also included in the first part is the Statement of Transactions of the Debt Servicing and Reduction Account together with my audit opinion thereon. The mandate for my audit of this statement is contained in section 9 of the *Debt Servicing and Reduction Account Act*.

In this second part of Section 1, my observations, I explain further the reason why I included a reservation of opinion on the Government's financial statements. As well, I comment on specific accounting matters that require continuing attention in future years. I also explain in more detail the meaning of my audit opinions on the two sets of financial statements in this section, how I arrived at the opinions and what they provide to users. Finally, in my concluding remarks, I discuss three key attributes of the financial statements: credibility, understandability and usefulness.

I believe that including these observations in the *Public Accounts of Canada* will help parliamentarians and other users to obtain a more complete understanding of the Government's financial statements and my audit of them.

**\$800 Million Overstatement of the 1996-97 Deficit
by Inappropriately Recording a Transfer Payment to the
Canada Foundation for Innovation**

The 1996-97 deficit is overstated by \$800 million, and both accounts payable and accrued liabilities as well as the accumulated deficit are overstated by the same amount. This results from the recording of a transaction related to the Canada Foundation for Innovation as if it were a liability, which is contrary to the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements. The \$800 million has been recorded as owing to an organization that was not in existence at March 31, 1997 (the Foundation was not legally created until April 1997). Further, the funding agreement between the Government and the Foundation was not signed until July 1997.

Background

In the February 18, 1997 Budget, the Government announced its intention to establish the Canada Foundation for Innovation. The Foundation will be operated independently of government through a board of directors, a majority of whom will be drawn from the private sector and research and academic communities. The Foundation's purpose will be to combine government and private sector funding to enhance education and research infrastructure at post-secondary institutions and research hospitals. The Government stated that the Foundation would be funded by an up-front investment of \$800 million. This transaction was recorded in the 1996-97 financial statements as if it was a liability and was charged to the deficit.

Legislation to implement certain provisions of the 1997 Budget was not given first reading in the House of Commons until April 9, 1997 and the *Budget Implementation Act, 1997* did not receive Royal Assent until April 25, 1997. Part I of the Act established the Foundation and Part XI provided parliamentary authority for the payment of \$800 million plus interest to the Foundation.

A funding agreement between the Foundation and the Government was not signed until July 2, 1997 and the \$800 million (plus interest of \$964 thousand) was not paid to the Foundation until this date. Among other things, the funding agreement sets forth the terms and conditions under which the Foundation shall:

- administer and invest those funds; and
- determine to whom it shall disburse those funds.

The Chairman of the Foundation's Board of Directors has been selected and, at the time of writing these observations, the remaining Directors were in the process of being selected.

Is the \$800 million funding for the Foundation a liability at March 31, 1997?

As stated in Note 1 to the financial statements, "*Financial obligations....are recorded as liabilities if the underlying event occurred prior to or at year end.*" Note 1 also states that "*Transfer payments are recorded as expenditures when paid or when the recipient has fulfilled the terms of a contractual transfer agreement.*" (Underline added)

These accounting policies are consistent with generally accepted accounting practices for governments in Canada as enunciated by the Canadian Institute of Chartered Accountants' Public Sector Accounting and Auditing Board (PSAAB). In this respect, PSAAB recommends: "*Government transfers should be recognized in a government's financial statements as expenditures....in the period that the events giving rise to the transfer occurred, as long as:*

- (a) *the transfer is authorized;*
- (b) *eligibility criteria, if any, have been met by the recipient; and*
- (c) *a reasonable estimate of the amount can be made.*" (Underline added)

One key element of both of these above-noted statements is that there is first a "recipient". At March 31, 1997, there was no recipient to which \$800 million was owed by the Government of Canada. The recipient, i.e. the Foundation, was not created until April 25, 1997 when the *Budget Implementation Act, 1997* received Royal Assent.

A second key element of both of these above-noted statements is that the recipient must have fulfilled the terms, or eligibility criteria, of a contractual transfer agreement. The funding agreement setting out these terms or eligibility criteria was not signed until July 2, 1997. At March 31, 1997, when this transaction was recorded, the eligibility criteria had not been met.

It is therefore abundantly clear to me that this liability did not exist at March 31, 1997; the related \$800 million expenditure should be recorded in 1997-98 and not in 1996-97; and the 1996-97 deficit is therefore overstated by that amount.

I am not alone in expressing concern with this transaction. On February 26, 1997, I appeared before the Standing Senate Committee on Banking, Trade and Commerce and this issue was raised during questioning. The Committee expressed concern over the tendency of the Government to assume that Parliament will approve whatever the Government has announced—in this case the recording of a liability to a recipient that Parliament had not yet created. And on April 23, 1997, I was called to appear with the Deputy Minister of Finance before the Standing Committee on Public Accounts to discuss the accounting treatment for the creation of the Foundation. Unfortunately, that meeting was cancelled due to lack of a quorum.

I first learned about the Government's plans to record this \$800 million transaction at a meeting with Government officials on February 6, 1997, almost two weeks before it was formally announced in the February 18, 1997 Budget. At that meeting, I told Government officials that if the Foundation had not been given legal form by March 31, 1997, I would not agree with recording a liability and would bring this to Parliament's attention in the strongest possible way.

In every discussion with Government officials since that time, no evidence has been provided to cause me to waver from that position. I believe that the current accounting for the transfer payment to the Canada Foundation for Innovation impairs the integrity of the process used to prepare the Government's financial statements and I have therefore included a reservation in my opinion.

Matters Requiring Continuing Attention

Accounting for employee pensions

Although the Government accounts for employee pensions in accordance with its stated accounting policies and related legislation, Government actuaries estimate the actuarial obligation for employee pensions at \$94 billion, which is significantly lower than the \$114 billion liability shown in the Statement of Assets and Liabilities. This difference could likely be reduced if the Government complied fully with generally accepted accounting practices enunciated by PSAAB. The Government is in the process of examining reforms to its employee pensions. In my view, the accounting for employee pensions should also be carefully re-examined and changed to take into account these reforms and PSAAB's recommendations.

As described in Note 7 to the financial statements, the actuarial obligation for the Government's employee pensions was estimated at \$94 billion at March 31, 1997 (\$87 billion at March 31, 1996). The employee pension liability reflected in the Government's Statement of Assets and Liabilities at March 31, 1997, was \$114 billion (\$108 billion at March 31, 1996). Under generally accepted accounting practices, it is not unusual for these amounts to be different, but this difference of \$20 billion (\$21 billion at March 31, 1996) could likely be reduced if the Government complied fully with generally accepted accounting practices enunciated by PSAAB.

As I explained last year, there are many reasons for this difference between the \$94 billion actuarial obligation and the \$114 billion liability reported in the Statement of Assets and Liabilities. One such reason is the way in which the pension interest expenditure is calculated. These are unfunded pensions, in the sense that assets have not been set aside to pay for ultimate pension benefits. Therefore, the Government must calculate interest annually on its pension obligations. For accounting purposes, the Government calculates this interest in compliance with the legislation governing the various employee pensions. The amount required by the legislation is higher than the interest calculated on the actuarial obligation.

As a consequence, a large difference emerges each year between the pension interest that accrues on the actuarial obligation, and the pension interest calculated in accordance with the relevant legislation. This is one reason for the difference between the actuarial obligation and the liability reported in the Statement of Assets and Liabilities. PSAAB recommends that for accounting purposes, pension interest should be calculated on the actuarial obligation. Over time, this method of accounting would reduce the \$20 billion difference between the actuarial obligation and the liability reported in the Statement of Assets and Liabilities.

When I first raised this matter in last year's observations, Government officials advised that they had commenced a full examination of the issue, as part of their overall examination of employee pension reform. During the year, various options have been developed to reform employee pensions and the Government is in the process of coming to a decision. As part of this process, I strongly encourage the Government to change its stated accounting policies to conform with the recommendations of PSAAB, whether pension reforms are imminent or not. In my view, these changes can be done under existing provisions of the *Financial Administration Act*. I intend to consider the impact of this matter in formulating my opinion on the Government's financial statements in future years, should the accounting for employee pensions remain unchanged.

Accounting for environmental liabilities and contingencies

Environmental liabilities of the Government are likely quite significant. However, the Government has not recognized such liabilities in its financial statements because of uncertainties in defining and estimating them. I continue to hold the view that steps can and should be taken now to provide a more complete picture of environmental liabilities and costs in the financial statements.

Since 1994-95, the Government has reported potential environmental liabilities of \$2.8 billion in a note to the financial statements (Note 15 in 1996-97). This amount is by no means a complete estimate of all the significant potential environmental liabilities of the Government at the end of the year. This amount and the format of Note 15 remain unchanged since 1994-95. I encourage the Government to continue its efforts to quantify at the earliest possible date the full extent of such potential liabilities. I also encourage the Government to begin developing an appropriate methodology for determining when these potential liabilities become actual liabilities that should be recorded in the Statement of Assets and Liabilities, rather than just being disclosed in the notes.

In 1994-95, I proposed as an interim solution that the Government should take additional steps to improve disclosure in this area. Specifically, I called for disclosure to assist readers of the financial statements in reaching a clearer understanding of the uncertainties inherent in the process of measuring environmental liabilities and contingencies. Note 15 states that "*The determination of these costs will be subject to and depend on evolving public policy, legislation, and results of the search for long-term cost-effective waste disposal solutions.*" Note disclosure should elaborate upon this statement, as well as provide information about the anticipated resolution of uncertainties, but as noted above, note disclosure has remained unchanged since 1994-95.

I originally discussed steps in 1994-95 that I believed the Government should take to provide a more complete accounting and reporting of its environmental liabilities and contingencies over the longer term. Similar to last year, I describe these steps together with action the Government is taking to address them.

The Government should develop policies to define clearly what constitutes environmental matters and the liabilities (both potential and actual) that relate to these matters. Two committees have been formed to develop a common federal approach to dealing with federal contaminated sites — the senior level Environmental Accountability Partnership Policy Sub-committee (EAP Sub-committee) and the Contaminated Sites Management Working Group (CSMWG). The EAP Sub-committee has developed a high-level draft policy on contaminated sites, which is currently under discussion. The current version of the draft policy promotes consistency between departments related to management information on contaminated sites; however, policy implementation has been left to the discretion of individual departments depending on their circumstances and priorities.

The Government should prepare a complete inventory of areas of federal responsibility, where there are obligations to make significant future expenditures to clean up environmental damage. Progress toward this goal is being made in government departments, although some departments are more advanced than others. Departmental time frames differ for the completion of this task.

The extent to which the Government, the provinces, the private sector or some combination of the three bear responsibility for the cost of environmental clean-up in these areas should be determined. This will need to be resolved once a complete inventory has been prepared and sooner on priority clean-ups.

Methodology should be developed to determine when potential environmental liabilities become actual liabilities. Accounting and reporting policies should be developed to provide for enhanced note disclosure of environmental contingencies and the recording of environmental liabilities that have become actual liabilities. The Treasury Board Secretariat (TBS) is in the process of developing an environmental accounting policy. According to TBS, the draft policy is to be distributed to stakeholders for review and comment in 1997-98 and is to build upon the recommendations of the CSMWG for the consistent recording of information on the inventory of contaminated sites. The assessment process for placing a site on the inventory includes the requirement to estimate the costs of remediation. TBS states that when the assessment process is substantially complete, this inventory will facilitate the quantification of the Government's liability for incorporation in the summary financial statements.

I do not continually raise this matter simply as an esoteric discussion of accounting and disclosure policies—real situations exist that will impact on the Government's fiscal framework and financial statements. One example of an environmental matter that has not been reported in the financial statements, due to the lack of accounting policy, is the clean-up cost for National Defence's 21 radar stations associated with the Distant Early Warning (DEW) Line. As described in Chapter 22, *Federal Contaminated Sites: Management Information on Environmental Costs and Liabilities*, in my November 1996 Report, the DEW Line was set up in the Arctic more than 40 years ago as part of a surveillance system built during the Cold War. National Defence estimates that it will cost at least \$242 million over a ten-year period to clean up these DEW Line sites. The contaminants of primary concern are PCBs, and other inorganic elements such as copper, lead and zinc. The key concerns are the effects of the contaminants on the arctic food chain and their mobility and distribution into the aquatic environment. TBS approved the DEW Line clean-up project at an indicative cost of \$242 million and approved expenditure authority for certain of the sites, in March 1996.

In its February 1997 Budget, the Government stated that it was in the process of developing policies with respect to accounting for environmental liabilities. Government officials have advised me that they are confident that all departments that are responsible for contaminated sites will be ready to implement these policies by March 31, 1999. I will continue to monitor the Government's progress in this area in future years and to consider such progress in formulating my opinion. I would also expect that the Sustainable Development Strategies that departments and certain agencies must table in the House of Commons by December 1997 will include reference to many of the issues described above.

Full accrual accounting for capital assets

Present accounting rules allow programs to be charged with the cost of capital assets only when acquired. The Government intends to introduce an accounting policy that would charge programs with the cost of capital assets when used. I support the move to better accounting for capital assets at the program level and I encourage compliance with generally accepted accounting practices when reporting them at the summary level.

Last year, in his March 1996 Budget, the Minister of Finance announced the Government's intention to change its accounting for capital assets at the beginning of the transition to full accrual accounting, starting in 1997-98.

During the past year, a PSAAB pronouncement on how federal and provincial governments in Canada should account for and report tangible capital assets was approved and it is expected to be published in the fall of 1997. A draft policy was issued by the TBS in January 1996 on accounting for capital assets. Although little further work has taken place on the draft policy, for the most part, it conforms to the accounting recommendations in PSAAB's pronouncement.

As stated in the past, I believe that if the Government implements full accrual accounting for capital assets in an appropriate way, it will improve both management discipline within departments and accountability reporting by departments to Parliament. In the past, I have presented several suggestions for the Government to consider in order to avoid the pitfalls that can accompany such a major change in accounting policy. I summarize these below, together with how the Government is addressing them.

The TBS's proposed policy addresses my concerns relating to:

- implementing full accrual accounting for capital assets at the departmental level, not just at the summary level;
- adopting stringent rules for depreciating and valuing capital assets; and
- applying special considerations to certain of the Government's capital assets.

The reporting recommendations in PSAAB's pronouncement on tangible capital assets addresses my concern relating to:

- the potentially adverse behavioural aspects of accrual accounting for capital assets.

The Government is still reviewing options to address my concern relating to:

- the need to harmonize the appropriation process with full accrual accounting for capital assets.

In the February 1997 Budget, the Government pledged to continue to work with my Office to implement accrual accounting for capital assets in a responsible way. Government officials have indicated to me that this will be done in compliance with PSAAB's recommendations.

Enterprise Crown corporations

The Government has announced its intention to adopt PSAAB's recommendations for the reporting of profits or losses of enterprise corporations when it moves to full accrual accounting.

PSAAB recommends that annual profits or losses reported by enterprise corporations be included in the Government's deficit or surplus for that year. In the March 1996 Budget, the Government announced its intention to consider adopting PSAAB's recommendations. In the February 1997 Budget, the Government announced that it will introduce this change with the move to full accrual accounting. I support the adoption of PSAAB recommendations and encourage the Government to implement this change at the beginning of the transition to full accrual accounting, starting in 1997-98. This will eliminate the stop-gap approach used in recent years of adjusting allowances to include corporate profits and losses in the deficit.

Accrual accounting for tax revenues

Although the cash basis of reporting tax revenues is relatively simple, it does not provide a consistent display of revenues from one year to the next. In addition, tax amounts owing to the Government are not reflected in the financial statements. The implementation of an appropriate form of accrual accounting is meant to address these issues. However, the updating of the accounting systems and practices of National Revenue to provide the necessary information will take a number of years. As a result, I would encourage the Government to take the time necessary to ensure the integrity and auditability of that information.

As stated in Note 1 to the financial statements, "The Government generally reports tax revenues in the period in which they are received." However, in the February 1995 Budget, the Minister of Finance committed the Government to moving to an appropriate form of accrual accounting. This would result in revenues and expenditures being recognized on accounting bases that are more comparable. In addition, tax amounts owing to the Government would, for the first time, be reflected in the financial statements. It would also help avoid distortions in reported tax revenues resulting from such things as the speeding up of the processing of income tax refunds. No time frame has been indicated for this transition.

Implementation of this change in accounting represents a significant challenge for the Government, as most systems in use at National Revenue were designed for a cash basis of accounting. National Revenue is currently in the process of updating many of its systems. I understand that part of this update includes modifying the systems to provide accrual information. However, it will be a number of years before all systems are capable of providing this information.

National Revenue and the TBS are currently developing an accounting policy and a practical tax accrual methodology. Significant work still needs to be done. Given the extensive systems modifications needed to provide accurate accrual information, I would encourage the Government to take the time necessary to ensure the integrity and auditability of that information.

Statement of Transactions of the Debt Servicing and Reduction Account

All receipts of money by the Government must be deposited into the Consolidated Revenue Fund (CRF) and all disbursements of money may only be withdrawn from the CRF with the approval of Parliament. The Statement of Transactions of the Debt Servicing and Reduction Account discloses certain of these receipts that are applied against certain disbursements. To the extent that such information continues to be relevant, it could be provided in a note to the financial statements of the Government without preparing a separate financial statement subject to audit.

Since 1991-92, the Statement required by the *Debt Servicing and Reduction Account Act*, including my audit opinion thereon, has been included in this section of Public Accounts Volume I. The Account applies specific revenues (primarily GST) against charges associated with public debt, in accordance with the *Act*. However, in my view, it is highly unlikely that in the near future these revenues (which amounted to \$18 billion in 1996-97) will approach the public debt expenditures chargeable to the Account (which amounted to \$33 billion in 1996-97).

Furthermore, in my view, given the fundamental concept of the CRF underlying the Government's accounting system, the Account is an internal mechanism that may not be necessary. The CRF is described in the Preface to the Government's financial statements, on the second page of Section 1. Essentially, all taxes, other revenues and other money received by the Government must be deposited into the CRF and disbursements from the CRF for spending on operations, for loans, investments and advances and for the redemption of matured debt, must be authorized by Parliament. Therefore, the specific revenues of the Account must be deposited into the CRF, and the public debt expenditures chargeable to the Account must be appropriated from the CRF by Parliament. The financial statements of the Government could provide note disclosure of the requirement to use those revenues to pay public debt expenditures, without having to prepare a separate financial statement subject to audit by the Auditor General.

I would therefore suggest that the Government and Parliament may wish to re-examine the continuing need for and utility of the Debt Servicing and Reduction Account.

My Audit Opinions:

What They Mean, How I Arrived at Them, and What They Provide

It is important to realize that, in giving my opinions on the financial statements in this section, I am not guaranteeing their absolute accuracy or that I have found all errors that the Government made in their preparation. What I am saying, however, is that the Government's financial statements for 1996-97 contain material (significant) misstatements in certain amounts and, as a result, I have had to express this concern by way of a reservation of my opinion. I therefore conclude that with the exception of these misstatements, readers are entitled to conclude that the financial statement amounts are as shown, plus or minus reasonable tolerances.

What my audit opinions mean

This section of my observations discusses in more detail the messages that I convey through my audit opinions. To understand those opinions properly, the reader should review carefully each paragraph, each year. It is inadvisable to assume that my opinions remain the same from one year to the next. Normally, each of the audit opinions consists of three paragraphs; this year there is an additional paragraph in my opinion on the Financial Statements of the Government of Canada.

The introductory paragraph. The introductory paragraph begins by listing the financial statements covered by my opinions. It is important to note that my audit opinions relate only to the financial statements and related notes contained in Section 1 of Volume I of the *Public Accounts of Canada*. They do not extend to the more detailed information presented in other sections of Volume I, or to Volume II.

The introductory paragraph concludes by confirming that the financial statements are the responsibility of the Government, and that my responsibility is to form an opinion on the financial statements.

The scope paragraph. In this paragraph, I state that my audit work on the Government's financial statements has been conducted according to generally accepted auditing standards. These standards are prescribed by the Canadian Institute of Chartered Accountants, and I use them to ensure that my audit is conducted with appropriate rigor and professionalism.

In the scope paragraph, I also indicate that I perform my audit procedures to assess whether the financial statements are free of material misstatement. I discuss the concept of materiality below.

Further, I also explain that my audit includes assessing the reasonableness of significant estimates made by the Government. There is a good deal of judgment required in preparing and auditing summary financial statements for an entity the size of the Government of Canada. Many of the significant amounts reported in the financial statements, such as allowances for valuation of various assets and liabilities, are based on estimates made by the Government. These amounts are inherently imprecise. When considering whether misstatements exist in these estimates, I determine for each estimate a range of values that I believe would be reasonable. If the balance of the estimate as determined by the Government falls within my range, I conclude that the specific estimate is not misstated.

Finally, I make reference in the scope paragraph to the fact that an audit also includes assessing the appropriateness of the accounting policies used by the Government and evaluating the overall presentation of the financial statements. To make this assessment, there must be standards against which my judgments can be made. The standards that I continued to use this year were the stated accounting policies of the Government of Canada as set out in Note 1 to the financial statements, pertinent legislation and certain recommendations of PSAAB. It is my intention in the near future to use all of PSAAB's recommendations in formulating my opinion.

The reservation paragraph. This paragraph alerts the reader to the fact that the audit opinion contains a reservation, and summarizes its net effect on the Government's financial statements. I discuss the concept of a reservation below.

The opinion paragraph. It is important to note that my opinions are not statements of fact; rather, they are expressions of my professional judgment. The opinion paragraph contains my overall conclusions about several important matters. For the Financial Statements of the Government of Canada, these matters are:

- whether the statements present information fairly in all material respects;
- whether the statements were prepared in accordance with the Government's stated accounting policies; and
- whether the stated accounting policies were applied on the same basis as in the preceding year.

For the Statement of Transactions of the Debt Servicing and Reduction Account, my conclusion also relates to an additional matter: whether the Statement presents information in accordance with the *Act* that created it.

How I arrive at my opinions

If I conclude that, in the aggregate, the financial statements are free of material misstatement, I report that information is "presented fairly". If I conclude that the statements are materially misstated, as I have this year, I describe the nature and extent of my concerns as they relate to the financial statements and include supporting reservations to explain why. I then go on to say that information is presented fairly, "except for" the effects of the reservations thereon.

The aggregate of all misstatements in the financial statements is considered material if, in the light of surrounding circumstances, it is probable that the misstatements would change or influence the decision of a person who was relying on the financial statements and who had reasonable knowledge of the Government and its activities. I will include a reservation in my audit opinion if I believe that the aggregate of all the misstatements in the financial statements would mislead the users relying on them. As I mentioned earlier, the Government decided to include in its 1996-97 results an \$800 million transaction relating to a transfer payment to the Canada Foundation for Innovation. This is not a liability in accordance with the Government's stated accounting policies and yet it has been recorded as if it were. When considered together with other misstatements that I discovered during my audit, I was unable to conclude that certain amounts on the financial statements were presented fairly. Specifically, the 1996-97 deficit, accounts payable and accrued liabilities and the accumulated deficit are all, in my opinion, overstated by \$800 million.

In addition, in all of my audit work on these financial statements, I also take into account the basic requirement that the Government comply with parliamentary authorities to spend, borrow and raise revenues.

Before commencing my audits, I consider the dollar magnitude (materiality) of misstatements in the financial statements that I believe would influence the decisions of users. This dollar amount is then used in determining the nature, extent and timing of the audit work required. I base this amount on the total expenditures of the Government. For this year's audit of the two sets of financial statements, I have set materiality at approximately one half of one percent of total gross expenditures of \$161 billion.

In my audit opinions, I do not say that the financial statements are "correct". The nature and extent of my audit work cannot be designed in any reasonable way to reach such a conclusion. The size and complexity of the Government make it impractical for me to examine all or even most of the individual transactions entered into during the year.

To be in a position to render my audit opinions, generally accepted auditing standards require that I have "reasonable assurance" that my audits will reveal misstatements aggregating to more than the predetermined materiality levels. In planning my audits, I accept some small amount of risk that my audit procedures will not provide absolute assurance that the financial statements are not materially misstated. I accept this minimal risk because it is cost-effective to do so. However, in conducting my audits, I have performed specific audit procedures that reduce this risk to a level that I consider acceptable. These include, for example, testing a sample of transactions and account balances, performing analyses, confirming year-end balances with third parties and, where considered necessary, reviewing significant internal controls.

What my audits provide

In describing what my audit opinions provide to readers, it is important to highlight what the opinions do not do. My audit opinions do not address the issue of economical, efficient and effective use of resources by the Government. That is something we do separately from our audit of the Government's financial statements.

In addition, my audits of the Government's financial statements were neither extensive enough nor specifically designed to provide assurance on the integrity of each of the Government's many and varied systems of internal control and on compliance with spending limits in each of the Government's several hundred individual appropriations. However, additional work in each of these areas is conducted by my Office on a cyclical basis in departments and agencies. I consider all of this work in developing my opinions on the Government's financial statements. If issues are identified that I believe are significant to the users of the financial statements, I will mention them in my opinions or in these observations. Although some serious issues of internal control and compliance with authority were identified, none of these require mention in the context of my opinions on the financial statements or in these observations. Those results of my work are included in my periodic and annual reports to the House of Commons.

Conclusion

I continue to believe strongly that the Government's financial statements must be credible, understandable and useful. While I sense that the summary numbers are more useful to members of Parliament due to improvements over the years in the understandability of the Government's financial reports, I am concerned with the credibility of the summary numbers themselves. This year (Canada Foundation for Innovation) and last year (GST harmonization) I have disagreed with the accounting for significant transactions. And as pointed out in these observations, I continue to describe other matters that do not conform with generally accepted accounting practices for governments - and yet the Government is not responding to these concerns in a timely fashion.

As a legislative auditor, I consider my role in ensuring the credibility and understandability of the Government's financial statements to be one of the most important parts of my mandate. And to the greatest extent possible within my mandate, I try to ensure that the information I audit is actually useful to Parliament.

Together with the Government's Annual Financial Report, these financial statements in my view provide concise and succinct financial information in a way that Canadians can understand. These reports are also useful and actually being used by members of Parliament as they look at ways to reshape Government as part of the Budget consultation process. In addition, as described earlier, parliamentary committees are also using the information in these reports more regularly.

But for all of these achievements, if the information presented is not credible, all has been lost. While great progress has been made in the past, the Government's accounting practices do not fully comply with generally accepted accounting practices for governments enunciated by PSAAB. Further, as I have described this year (Canada Foundation for Innovation) and last year (GST harmonization), the Government, in my view, is not even following its own practices. Credibility of the Government's summary numbers is therefore at risk.

Notwithstanding this view, I continue to be proud of the fact that the Government of Canada is one of the few national governments in the world that produces summary numbers in understandable form. Maintaining credible information will only add to our role as world leaders in this form of financial reporting.

SECTION 2

1996-97

PUBLIC ACCOUNTS OF CANADA

Supplementary Financial Information

CONTENTS

	<i>Page</i>
Introduction	2.2
Public accounts presentation	2.2
National accounts presentation	2.8
Public accounts and national accounts reconciliation	2.9

SUPPLEMENTARY FINANCIAL INFORMATION

Introduction

This section provides a ten year comparative summary of the Government's financial transactions, both on the public accounts basis and on the national accounts basis. The public accounts presentation reflects the accounting policies explained in Note 1 to the audited financial statements in Section 1 of this volume. The national accounts presentation is designed primarily to facilitate economic analysis of the federal Government sector on a basis consistent with that used in measuring income and expenditure flows in the economy.

Public accounts presentation

The "Summary Statement of Transactions" (Table 2.1) provides aggregate data on the major categories of transactions under four main headings: budgetary, non-budgetary, foreign exchange and unmatured debt. The resulting cash position at the end of each year is also shown.

TABLE 2.1
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
SUMMARY STATEMENT OF TRANSACTIONS ⁽¹⁾
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Budgetary transactions										
Revenues	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896
Expenditures	-125,406	-132,840	-142,637	-151,353	-156,389	-161,401	-157,996	-160,785	-158,918	-149,793
Deficit for the year	-27,794	-28,773	-28,930	-32,000	-34,357	-41,021	-42,012	-37,462	-28,617	-8,897
Non-budgetary transactions										
Loans, investments and advances	1,091	863	1,020	96	-409	533	562	331	2,698	275
Pension and other accounts	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659	7,646	6,865
Other transactions	2,138	-131	594	336	-2,758	-6	5,358	2,630	1,090	3,022
Net source	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620	11,434	10,162
Financial requirements	-18,849	-22,424	-20,530	-24,538	-31,800	-34,497	-29,850	-25,842	-17,183	1,265
Net source from foreign exchange transactions	-6,434	-2,768	1,948	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759
Total financial requirements ⁽²⁾	-25,283	-25,192	-18,582	-28,284	-29,777	-28,749	-31,978	-27,267	-21,887	-6,494
Net source from unmatured debt transactions ⁽³⁾	22,198	25,492	18,261	29,341	27,982	30,856	31,234	27,023	28,549	7,305
Change in cash in bank ⁽⁴⁾	-3,085	300	-321	1,057	-1,795	2,107	-744	-244	6,662	811
Cash in bank at beginning of year	4,618	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555
Cash in bank at end of year	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366

Details can be found in other sections of this volume.

⁽¹⁾ Consistent with the Statement of Transactions in Section 1 of this volume.

⁽²⁾ Cash requirements (-)

⁽³⁾ Net source from unmatured debt transactions includes the net change in unmatured debt payable in foreign currencies, \$6,207 millions in 1997 (-\$112 millions in 1996), the change was previously included with the Net source from foreign exchange transactions.

⁽⁴⁾ Cash decrease (-)

TABLE 2.2
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
DETAILED STATEMENT OF REVENUE TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Tax revenues—										
Income tax—										
Personal	45,125	46,026	51,895	57,601	61,222	58,283	51,427	56,329	60,167	63,282
Corporation	10,878	11,730	13,021	11,726	9,359	7,206	9,444	11,604	15,955	17,020
Other income tax revenues	1,369	1,843	1,587	1,651	1,534	1,462	1,593	1,769	2,105	2,847
	57,372	59,599	66,503	70,978	72,115	66,951	62,464	69,702	78,227	83,149
Employment insurance premiums	10,425	11,268	10,738	12,707	15,394	17,535	18,233	18,928	18,510	19,816
Excise taxes and duties—										
Goods and services tax				2,574	15,168	14,868	15,696	16,786	16,375	18,079
Energy taxes	2,603	2,646	2,471	3,192	3,441	3,437	3,640	3,824	4,404	4,467
Customs import duties	4,385	4,521	4,587	4,001	3,999	3,811	3,652	3,575	2,969	2,676
Other excise taxes and duties	15,953	18,604	21,097	16,346	2,588	3,964	3,647	2,904	2,856	3,876
	22,941	25,771	28,155	26,113	25,196	26,080	26,635	27,089	26,604	29,098
Total tax revenues	90,738	96,638	105,396	109,798	112,705	110,566	107,332	115,719	123,341	132,063
Non-tax revenues—										
Return on investments—										
Bank of Canada	1,871	1,938	2,239	2,809	1,844	1,806	1,452	1,571	1,841	1,310
Canada Mortgage and Housing Corporation	853	845	822	772	753	800	719	706	680	632
Farm Credit Corporation	326	301	239	230	215	226	211	199	208	171
Exchange Fund Account	752	1,658	1,661	2,258	2,900	3,209	2,916	1,816	1,138	1,423
Interest on bank deposits	279	256	278	285	192	169	128	155	370	229
Other return on investments	656	549	611	453	617	628	716	574	238	445
	4,737	5,547	5,850	6,807	6,521	6,838	6,142	5,021	4,475	4,210
Other non-tax revenues	2,137	1,882	2,461	2,748	2,806	2,976	2,510	2,583	2,485	4,623
Total non-tax revenues	6,874	7,429	8,311	9,555	9,327	9,814	8,652	7,604	6,960	8,833
Total net revenues	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896

TABLE 2.3
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
DETAILED STATEMENT OF EXPENDITURE TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Transfer payments—										
Old age security benefits, guaranteed income supplement and spouse's allowance	14,349	15,202	16,154	17,131	18,393	19,106	19,903	20,511	21,034	21,606
Other levels of Government ⁽¹⁾	20,791	22,439	23,701	23,230	25,224	26,970	27,373	26,721	26,474	22,564
Employment insurance benefits	10,487	10,972	11,694	14,665	18,126	19,065	17,626	14,815	13,476	12,380
Family allowances and Child tax benefits ⁽²⁾	2,564	2,606	2,653	2,736	2,821	2,194	7			
Other transfer payments	16,698	16,684	15,926	15,340	17,389	18,125	18,459	19,993	18,154	17,460
Total transfer payments	64,889	67,903	70,128	73,102	81,953	85,460	83,368	82,040	79,138	74,010
Crown corporation expenditures	5,872	4,772	5,237	5,713	5,252	6,219	5,298	5,003	4,321	3,578
Other program expenditures—										
National Defence	10,337	10,700	11,249	11,518	10,901	10,939	11,282	10,693	9,935	8,541
All other departments and agencies	15,355	16,313	17,234	18,432	17,109	19,958	20,066	21,003	18,619	18,691
Total other program expenditures	25,692	27,013	28,483	29,950	28,010	30,897	31,348	31,696	28,554	27,232
Total program expenditures	96,453	99,688	103,848	108,765	115,215	122,576	120,014	118,739	112,013	104,820
Public debt charges	28,953	33,152	38,789	42,588	41,174	38,825	37,982	42,046	46,905	44,973
Total net expenditures	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785	158,918	149,793

⁽¹⁾ The detailed breakdown can be found in Table 2.3a

⁽²⁾ The Child Tax Benefit Program was introduced in January 1993 to replace the Child Tax Credits and the Family Allowance Program.

TABLE 2.3a
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
OTHER LEVELS OF GOVERNMENT
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Canada health and social transfer ⁽¹⁾										14,911
Fiscal arrangements	7,745	8,978	9,866	9,547	10,294	9,090	10,527	9,278	9,803	9,820
Canada Assistance Plan	4,246	4,556	5,006	5,788	6,099	6,686	7,236	7,266	7,191	105
Insurance and medical care	6,558	6,678	6,663	6,033	6,689	8,307	7,232	7,691	7,115	-217
Education support	2,242	2,227	2,166	1,862	2,142	2,887	2,378	2,486	2,365	-41
Alternative payments for standing programs										-2,014
Total	20,791	22,439	23,701	23,230	25,224	26,970	27,373	26,721	26,474	22,564

⁽¹⁾ The Canada health and social transfer was introduced in 1996-97 to replace the Canada Assistance Plan, Education support and Insurance and medical care.

TABLE 2.4
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
STATEMENT OF ACCUMULATED DEFICIT
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Accumulated deficit—Beginning of year	273,323	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289
Deficit for the year	27,794	28,773	28,930	32,000	34,357	41,021	42,012	37,462	28,617	8,897
Accumulated deficit—End of year	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186

TABLE 2.5
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
STATEMENT OF ASSETS AND LIABILITIES
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
LIABILITIES										
CURRENT LIABILITIES—										
Accounts payable and accrued liabilities	11,314	12,020	13,230	13,269	13,550	13,144	16,977	20,325	21,181	19,265
Interest and matured debt	9,043	6,549	5,683	5,489	6,576	5,866	6,465	4,831	7,403	10,402
Allowance for employee benefits	2,500	4,300	4,200	3,950	3,050	3,285	3,555	3,910	4,290	5,180
Allowance for loan guarantees and borrowings of Crown corporations	3,320	3,615	4,000	4,170	4,020	4,555	4,930	5,540	5,440	5,253
Total current liabilities	26,177	26,484	27,113	26,878	27,196	26,850	31,927	34,606	38,314	40,100
INTEREST-BEARING DEBT—										
Unmatured debt—										
Payable in Canadian currency—										
Marketable bonds	103,748	115,732	127,532	143,485	158,051	178,412	203,392	225,679	252,700	282,498
Treasury bills	81,050	102,700	118,550	139,150	152,300	162,050	166,000	164,450	166,100	135,400
Canada saving bonds	52,237	46,544	39,733	33,250	34,589	33,365	30,418	30,460	30,460	32,470
Bonds for Canada Pension Plan	2,492	3,005	3,072	3,492	3,501	3,505	3,497	3,488	3,478	3,468
.....	239,527	267,981	288,887	319,377	348,441	377,332	403,307	424,077	452,738	453,836
Payable in foreign currencies	11,282	8,320	5,675	4,526	3,444	5,409	10,668	16,921	16,809	23,016
.....	250,809	276,301	294,562	323,903	351,885	382,741	413,975	440,998	469,547	476,852
Pension and other accounts—										
Public sector pensions	57,417	63,241	69,626	76,139	81,881	87,911	94,097	101,033	107,882	114,205
Canada Pension Plan	2,284	2,540	2,962	3,459	3,181	2,839	2,728	3,406	3,636	3,718
Other	3,438	2,975	2,954	2,974	3,234	3,543	3,710	4,755	5,322	5,782
.....	63,139	68,756	75,542	82,572	88,296	94,293	100,535	109,194	116,840	123,705
Total interest-bearing debt	313,948	345,057	370,104	406,475	440,181	477,034	514,510	550,192	586,387	600,557
TOTAL LIABILITIES	340,125	371,541	397,217	433,353	467,377	503,884	546,437	584,798	624,701	640,657
ASSETS										
CURRENT ASSETS—										
Cash in bank	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366
Cash in transit	2,322	2,087	2,035	2,196	2,902	2,931	3,313	3,241	4,189	4,062
.....	3,855	3,920	3,547	4,765	3,676	5,812	5,450	5,134	12,744	13,428
Less outstanding cheques and warrants	2,723	2,369	2,546	4,022	2,695	3,228	4,015	3,751	3,700	3,253
Total cash	1,132	1,551	1,001	743	981	2,584	1,435	1,383	9,044	10,175
Accounts receivable	1,838	2,157	2,421	3,165	4,208	4,372	4,496	4,353	5,972	4,416
Total current assets	2,970	3,708	3,422	3,908	5,189	6,956	5,931	5,736	15,016	14,591
FOREIGN EXCHANGE ACCOUNTS—										
International reserves held in the Exchange Fund										
Account	14,779	17,422	15,393	19,066	17,148	10,879	13,156	14,356	18,908	26,726
International Monetary Fund—Subscriptions	5,038	4,534	4,474	4,565	4,797	7,599	8,443	9,433	8,580	8,295
Less International Monetary Fund—Notes payable and special drawing rights allocations	5,815	5,186	5,045	5,063	5,400	7,681	8,674	9,439	8,434	8,208
Total net foreign exchange accounts	14,002	16,770	14,822	18,568	16,545	10,797	12,925	14,350	19,054	26,813
LOANS, INVESTMENTS AND ADVANCES—										
Enterprise Crown corporations	18,972	18,238	17,678	17,428	18,150	19,543	19,283	18,218	14,663	13,842
Joint and mixed enterprises	4,964	4,928	4,461	4,461	4,461	4,374	4,374	4,374	1,300	1,300
National governments including developing countries	4,323	4,191	3,495	3,476	3,535	3,382	3,434	3,282	3,221	3,074
International organizations	4,563	4,621	4,666	4,898	5,179	5,436	5,691	5,480	5,565	5,617
Provincial and territorial governments	911	883	1,023	937	819	1,086	1,111	876	709	554
Other	1,363	1,781	1,744	1,832	1,918	1,417	1,478	1,710	2,154	2,234
.....	35,096	34,642	33,067	33,032	34,062	35,238	35,371	33,940	27,612	26,621
Less allowance for valuation	13,060	13,469	12,914	12,975	13,596	15,305	16,000	14,900	11,270	10,554
Total loans, investments and advances	22,036	21,173	20,153	20,057	20,466	19,933	19,371	19,040	16,342	16,067
TOTAL ASSETS	39,008	41,651	38,397	42,533	42,200	37,686	38,227	39,126	50,412	57,471
ACCUMULATED DEFICIT	301,117	329,890	358,820	390,820	425,177	466,198	508,210	545,672	574,289	583,186

TABLE 2.6
GOVERNMENT OF CANADA
PUBLIC ACCOUNTS PRESENTATION
DETAILED STATEMENT OF NON-BUDGETARY TRANSACTIONS
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Loans, investments and advances—										
Enterprise Crown corporations—										
Business Development Bank of Canada	51				-10				-50	-50
Canada Deposit Insurance Corporation	-131	-361	320	150	-560	-1,300	-66	991	533	772
Canada Mortgage and Housing Corporation	234	273	201	194	65	238	105	240	571	325
Canadian National Railway System	29	12	12	13	15	16	17	19	2,360	
Export Development Corporation	55	25	-75	-16			-25	-38	-132	
Farm Credit Corporation	-179	230	104	-82	-159	71	-68	-35	214	-197
Other	1,391	555	-2	-9	-73	-412	297	-112	59	-29
	1,450	734	560	250	-722	-1,387	260	1,065	3,555	821
Other loans, investments and advances—										
Joint and mixed enterprises	319	36	362			88			3,074	
National governments including developing countries ..	81	132	696	19	-59	152	-52	152	61	147
International organizations	-21	-58	-45	-232	-281	-256	-255	211	-86	-52
Provincial and territorial governments	37	28	-140	86	118	-268	-25	235	167	155
Other	-93	-418	142	-88	-86	495	-61	-232	-443	-80
	323	-280	1,015	-215	-308	211	-393	366	2,773	170
Total loans, investments and advances	1,773	454	1,575	35	-1,030	-1,176	-133	1,431	6,328	991
Allowance for valuation	-682	409	-555	61	621	1,709	695	-1,100	-3,630	-716
Total loans, investments and advances after allowance for valuation	1,091	863	1,020	96	-409	533	562	331	2,698	275
Pension and other accounts—										
Public sector pensions (net)	5,425	5,825	6,385	6,511	5,742	6,030	6,186	6,936	6,849	6,323
Canada Pension Plan (net)	306	256	422	497	-278	-342	-111	678	230	82
Other	-15	-464	-21	22	260	309	167	1,045	567	460
Total pension and other accounts	5,716	5,617	6,786	7,030	5,724	5,997	6,242	8,659	7,646	6,865
Other transactions—										
Cash in transit	-854	235	52	-161	-706	-29	-382	72	-948	127
Outstanding cheques and warrants	-147	-354	177	1,476	-1,327	533	787	-264	-51	-447
Accounts receivable	-127	-319	-264	-744	-1,043	239	27	-412	-1,619	1,556
Provincial and territorial tax collection agreements account	1,050	-731	-368	-813	-241	-747	-151	870	1,058	352
Other liabilities	2,216	1,038	997	578	559	-2	5,077	2,364	2,650	1,434
Total other transactions	2,138	-131	594	336	-2,758	-6	5,358	2,630	1,090	3,022
Net non-budgetary transactions after allowance for valuation	8,945	6,349	8,400	7,462	2,557	6,524	12,162	11,620	11,434	10,162

Source/requirement (-)

TABLE 2.7

GOVERNMENT OF CANADA

PUBLIC ACCOUNTS PRESENTATION

DETAILED STATEMENT OF FOREIGN EXCHANGE, UNMATURED DEBT AND CASH TRANSACTIONS

(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Foreign exchange transactions—										
International reserves held in the Exchange Fund										
Account	-6,567	-2,643	2,029	-3,673	1,918	6,269	-2,277	-1,200	-4,552	-7,818
International Monetary Fund—Subscriptions	-102	504	60	-91	-232	-2,802	-844	-990	853	285
	-6,669	-2,139	2,089	-3,764	1,686	3,467	-3,121	-2,190	-3,699	-7,533
Less International Monetary Fund—Notes payable	-208	495	126	5	-275	-2,181	-841	-586	851	174
Special drawing rights allocations	-27	134	15	-23	-62	-100	-152	-179	154	52
	-235	629	141	-18	-337	-2,281	-993	-765	1,005	226
Total foreign exchange transactions ⁽¹⁾	-6,434	-2,768	1,948	-3,746	2,023	5,748	-2,128	-1,425	-4,704	-7,759
Unmatured debt transactions—										
Marketable bonds	9,787	10,951	10,575	15,404	14,499	19,781	27,142	25,142	28,660	32,744
Treasury bills	4,100	21,650	15,850	20,600	13,150	9,750	3,950	-1,550	1,650	-30,700
Canada savings bonds	8,786	-5,693	-6,812	-6,482	1,339	-1,224	-2,947	43		2,010
Bonds for the Canada Pension Plan	696	513	67	420	9	4	-8	-9	-10	-10
Canada notes and loans	-1,171	-2,015	-1,734	-163	-7	-7			310	1,811
Canada bills		86	315	-438	-1,008	2,552	3,097	3,397	-2,061	1,450
Total ununmatured debt transactions ⁽¹⁾	22,198	25,492	18,261	29,341	27,982	30,856	31,234	27,023	28,549	7,305
Cash in bank at end of year—										
In Canadian currency	1,381	1,708	1,369	2,459	677	2,774	2,032	1,817	8,479	9,254
In foreign currencies	152	125	143	110	97	107	105	76	76	112
Total cash in bank	1,533	1,833	1,512	2,569	774	2,881	2,137	1,893	8,555	9,366

Source/requirement (-)

(1) The presentation has been modified to reflect unmatured debt transactions payable in foreign currencies as part of the unmatured debt transactions; they were previously included with Foreign exchange transactions.

National accounts presentation

The national income and expenditure accounts were developed as a basis for economic analysis of income and expenditure flows in the economy. The concepts and definitions applied to the Government sector are consistent with those applied to other sectors and follow international practices developed under the aegis of the United Nations. The economic nature of a transaction is the determining factor in its classification within the national accounts framework.

TABLE 2.8

GOVERNMENT OF CANADA NATIONAL ACCOUNTS PRESENTATION DETAILED STATEMENT OF REVENUE AND EXPENDITURE TRANSACTIONS (in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
National accounts transactions⁽¹⁾										
Revenues—										
Direct taxes—										
Persons	56,688	58,872	65,351	74,742	79,671	79,965	76,058	82,704	86,659	91,365
Corporations	11,968	12,503	12,409	11,215	10,220	10,103	10,143	13,022	13,483	14,954
Non-residents	1,418	1,808	1,421	1,589	1,617	1,493	1,685	1,662	1,936	2,033
Indirect taxes	70,074	73,183	79,181	87,546	91,508	91,561	87,886	97,388	102,078	108,352
Other current transfers from persons	24,254	26,362	29,348	26,271	30,963	30,556	30,614	30,142	30,518	31,535
Investment income	25	28	32	36	44	68	48	20	20	21
Capital consumption allowances	9,023	10,406	11,458	12,553	12,834	12,763	12,465	13,582	14,929	15,176
Total revenues.....	1,354	1,452	1,538	1,585	1,557	1,570	1,642	1,738	1,748	1,757
Expenditures—										
Current goods and services—										
Defence	10,226	10,618	11,069	11,736	11,682	11,879	11,890	11,849	11,144	10,741
Non-defence.....	14,803	15,612	17,460	18,724	20,190	20,435	20,701	21,259	21,338	21,181
Transfer payments to persons	25,029	26,230	28,529	30,460	31,872	32,314	32,591	33,108	32,482	31,922
Subsidies.....	34,799	36,419	38,916	43,907	51,364	54,187	56,566	54,981	54,216	54,195
Capital assistance	6,347	5,583	4,907	5,350	7,067	4,883	4,207	4,073	3,395	3,292
Current transfers to non-residents	1,792	1,561	1,572	1,565	1,261	1,124	1,063	1,236	1,543	1,528
Interest on the public debt	2,262	2,471	2,954	2,332	2,722	2,711	2,312	2,343	2,256	2,220
Transfers to provinces	28,680	32,885	38,570	42,656	41,011	38,450	38,649	41,964	46,794	44,727
Transfers to local governments	22,781	23,953	25,226	25,971	27,060	30,266	28,289	29,739	30,432	25,932
Gross capital formation	653	702	885	913	875	1,118	1,327	1,288	1,374	1,167
Total expenditures	1,897	2,219	2,251	2,253	2,376	2,525	2,728	2,698	2,421	2,402
Deficit.....	124,240	132,023	143,810	155,407	165,608	167,578	167,732	171,430	174,913	167,385
	-19,510	-20,592	-22,253	-27,416	-28,702	-31,060	-35,077	-28,560	-25,620	-10,544

⁽¹⁾ These "National accounts transactions" are consistent with those released by Statistics Canada on August 31, 1997.

Public accounts and national accounts reconciliation

The reconciliation of transactions between the public accounts and national accounts is set out in the table that follows. The major factors which give rise to the need for a reconciliation are listed below.

The deficits of Government business enterprises which are outside the Government accounting entity are, for public accounts presentation purposes, met through budgetary appropriations and are thus recorded as budgetary expenditures. In the national accounts presentation, these deficits are netted against Government investment income.

Revenues in the public accounts are generally recorded on a cash basis with the exception of non-tax revenues. While the major portion of national accounts revenues are accounted for on a cash basis, certain items, such as corporate income taxes and the oil export charges, are reported on an accrual basis. This difference also results in a different treatment of the acceleration of source deductions and sales and excise taxes by large firms.

Transactions of employee pension accounts are treated as non-budgetary in the public accounts, although the Government's contributions to, and interest payments on, these accounts are included in expenditures. Employer and employee contributions to these accounts, plus any related interest income, form part of Government revenues in the national accounts presentation, and pension payments form part of Government expenditures.

In the public accounts presentation, the purchase of capital assets such as buildings and machinery is recorded as budgetary expenditures in the year of acquisition. Only newly produced capital assets and capital expenditures are included in national accounts expenditures. The national accounts also ignore the sale of capital assets as such sales are not deemed to give rise to production. Both Government revenues and expenditures include an allowance for the depreciation of capital assets in the national accounts termed "Capital consumption allowances". This item is not a part of public accounts reporting. Both the public accounts and the national accounts include the financial activities of the consolidated Crown corporations. However, the inclusions are not identical.

TABLE 2.9

GOVERNMENT OF CANADA
PUBLIC ACCOUNTS AND NATIONAL ACCOUNTS RECONCILIATION
(in millions of dollars)

	Year ended March 31									
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Budgetary revenues—Public accounts	97,612	104,067	113,707	119,353	122,032	120,380	115,984	123,323	130,301	140,896
Reconciling items—										
Government pension receipts	7,176	7,756	8,523	9,441	10,926	11,133	11,767	12,463	13,064	13,663
Corporate income tax—Excess of accruals over receipts	1,428	773	-612	-511	861	2,897	699	1,418	-2,472	-2,066
Capital consumption allowances	1,354	1,452	1,538	1,585	1,557	1,570	1,642	1,738	1,748	1,757
Petroleum compensation charge ⁽¹⁾			-1	3						
Non-tax revenues ⁽²⁾	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,662	-1,662	-1,780
Deficits of Government business enterprises	-937	-907	-991	-849	-806	-792	-773	-550	-621	-452
Goods and services tax				1,198	2,620	3,114	2,814	2,310	3,114	2,583
Child tax credit ⁽⁶⁾						1,312	5,240	5,286	5,224	5,212
Miscellaneous ⁽³⁾	-643	-520	708	-953	1,007	-1,556	-3,226	-1,456	597	-2,972
Total revenues—National accounts	104,730	111,431	121,557	127,991	136,906	136,518	132,655	142,870	149,293	156,841
Budgetary expenditures—Public accounts	125,406	132,840	142,637	151,353	156,389	161,401	157,996	160,785	158,918	149,793
Reconciling items—										
Government pension payments	1,600	1,801	1,978	2,073	2,489	3,782	4,052	4,287	4,416	4,576
Net expenditures of funds and agencies ⁽⁴⁾	1,555	1,336	1,661	1,153	1,314	1,284	1,026	1,036	741	681
Capital consumption allowances	1,354	1,452	1,538	1,585	1,557	1,570	1,642	1,738	1,748	1,757
Petroleum compensation program ⁽⁵⁾	60									
Non-tax revenues ⁽²⁾	-1,260	-1,190	-1,315	-1,276	-1,291	-1,540	-1,492	-1,662	-1,662	-1,780
Deficits of Government business enterprises	-937	-907	-991	-849	-806	-792	-773	-550	-621	-452
Budgetary transfers to funds and agencies	-1,336	-1,335	-1,265	-1,063	-1,223	-1,069	-1,066	-1,576	-1,571	-1,173
Goods and services tax—Transfers and subsidies				725	3,176	2,574	2,698	2,884	2,782	2,891
Child tax benefits ⁽⁶⁾						1,312	5,240	5,286	5,224	5,212
Miscellaneous ⁽⁷⁾	-2,202	-1,974	-433	1,706	4,003	-944	-1,591	-798	4,938	5,880
Total expenditures—National accounts	124,240	132,023	143,810	155,407	165,608	167,578	167,732	171,430	174,913	167,385

(1) In the public accounts, the petroleum compensation charge is netted against petroleum compensation payments and included in budgetary expenditures. Gross revenues and payments are recorded in the national accounts.

(2) Various items of non-tax revenues, such as service fees and proceeds from the sale of current goods, which are reported as revenues in the public accounts, are netted to expenditures in the national accounts.

(3) Major items under miscellaneous include adjustments for proceeds from the sale of used capital assets, air transportation tax, imputed items, the treatment of revenues in the supplementary accounting period after March 31, and the treatment of the acceleration of source deductions and sales and excise taxes by large firms.

(4) In the national accounts, budgetary appropriations to various funds and agencies are replaced by net actual expenditures of the funds and agencies.

(5) This item represents the difference between the gross payments recorded on the national accounts basis and net payments recorded on the public accounts basis.

(6) In the public accounts, the child tax credit is netted against the personal income tax. In the national accounts, the fiscal incidence is shown; the benefit is presented as a transfer to persons and its counterpart is included in the Revenues—Direct taxes—Persons.

(7) Major items under miscellaneous include adjustments for reserves and write-offs, provision for the valuation of assets and liabilities, purchase of used capital assets, imputed items, the treatment of expenditures and for all items in the reconciliation in the supplementary accounting period after March 31.

SECTION 3

1996-97

PUBLIC ACCOUNTS OF CANADA

Revenues, Expenditures and Accumulated Deficit

CONTENTS

	<i>Page</i>
Revenues	3.2
Accounting for revenues	3.2
Tax revenues	3.5
Non-tax revenues	3.7
Expenditures	3.8
Accounting for expenditures	3.8
Government spending	3.10
Expenditures by standard object	3.13
Expenditures under statutory authorities	3.13
Accumulated deficit	3.15

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT

This section provides information on the revenues, expenditures and accumulated deficit of the Government as summarized in Table 3.1.

TABLE 3.1

REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT
(in millions of dollars)

	1996-97		1995-96	
	Gross	Net	Gross	Net
Revenues—				
Tax revenues	139,775	132,063	131,434	123,341
Non-tax revenues	12,697	8,833	10,659	6,960
Total revenues, Table 3.2	152,472	140,896	142,093	130,301
Expenditures—				
Transfer payments	81,722	74,010	86,548	79,138
Crown corporation expenditures	4,823	3,578	6,040	4,321
Other program expenditures	29,851	27,232	31,217	28,554
Total program expenditures	116,396	104,820	123,805	112,013
Public debt charges	44,973	44,973	46,905	46,905
Total expenditures, Table 3.6	161,369	149,793	170,710	158,918
Deficit for the year	8,897	8,897	28,617	28,617
Accumulated deficit, beginning of year	574,289	574,289	545,672	545,672
Accumulated deficit, end of year, Table 3.12	583,186	583,186	574,289	574,289

REVENUES

Revenues consist of all tax and non-tax amounts which enter into the calculation of the annual surplus or deficit of the Government.

Accounting for Revenues

Tax revenues are reported net of refunds and are exclusive of amounts collected on behalf of provinces and territories. The Government generally reports tax revenues in the period in which they are received. Refunds of tax revenues are allocated to the year in which the processing cycle for the assessment of the related tax return has been started. However, cases of tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada and where all such appeals have been exhausted or are not expected to be pursued, are reported on an accrual basis. The goods and services tax (GST) quarterly tax credits and payments under the child tax benefit program are charged in the period to which they relate.

Tax revenues for a fiscal year include receipts credited to the Receiver General for Canada by the Bank of Canada and the chartered banks by March 31st and amounts received in federal government offices by March 31st, but not deposited until April or not credited to the Receiver General until April. Tax revenues also include amounts received in the mail on the first working day of April, except when it is clear that it was the remitter's intention to discharge an obligation arising in the new fiscal year.

A narrative description is provided for certain accounts reported in some tables. Such description follows the same presentation order as the respective tables.

Although a taxpayer's income tax liability relates to a taxation year, collection of individual and corporation income taxes by payroll deductions and instalment payments results in a distribution of receipts throughout the year. Similarly, the GST and other excise taxes and duties are received on a regular basis throughout the year.

Non-tax revenues are reported on an accrual basis.

Table 3.2 presents external revenues by main classification on both a gross and net basis. "Gross revenues" report all external revenues including:

- revenues netted against expenditures where, as authorized by Parliament, certain revenues which are associated with the recovery of certain costs are credited to program spending. In such cases, Parliament votes such funds net of authorized revenues;
- tax credits and repayments where certain tax credits are related to expenditures but are determined through the income tax or fiscal arrangements processes; and
- revenues of consolidated Crown corporations where, for reporting in the annual financial statements, the financial transactions of certain Crown corporations are included with those of the Government.

"Net revenues" exclude the above three categories.

Chart 3A presents total net revenues by main classification for the current fiscal year while Chart 3B compares total net revenues for the last ten fiscal years.

TABLE 3.2

EXTERNAL REVENUES BY MAIN CLASSIFICATION
(in millions of dollars)

	1996-97						1995-96	
	Gross revenues ⁽¹⁾	Revenues netted against expenditures	Deferred revenues netted against expenditures	Tax credits and repayments	Consoli- dated Crown corporations ⁽²⁾	Net revenues ⁽¹⁾	Gross revenues ⁽¹⁾	Net revenues ⁽¹⁾
Tax revenues—								
Income tax—								
Personal	68,122			4,840		63,282	64,778	60,167
Corporation	17,020					17,020	15,955	15,955
Other income tax revenues	2,847					2,847	2,105	2,105
	87,989			4,840		83,149	82,838	78,227
Employment insurance premiums	19,816					19,816	18,510	18,510
Excise taxes and duties—								
Goods and services tax, Table 3.4.	20,951			2,872		18,079	19,174	16,375
Energy taxes —								
Excise tax—Gasoline	4,025					4,025	3,969	3,969
Excise tax—Aviation gasoline and diesel fuel	442					442	435	435
	4,467					4,467	4,404	4,404
Customs import duties	2,676					2,676	2,969	2,969
Other excise taxes and duties—								
Excise duties	2,275					2,275	2,223	2,223
Miscellaneous excise taxes and duties	1,601					1,601	1,316	633
	3,876					3,876	3,539	2,856
	31,970			2,872		29,098	30,086	26,604
Total tax revenues	139,775			7,712		132,063	131,434	123,341
Non-tax revenues—								
Return on investments, Table 3.5.	4,276	30			36	4,210	4,567	4,475
Other non-tax revenues—								
Privileges, licences and permits	933	220	111			602	659	535
Refunds of previous years' expenditures	697					697	811	811
Service fees	2,015	1,577	1			437	1,621	271
Proceeds from sales	1,875	300				1,575	245	73
Proceeds from the disposal of surplus Crown assets	34					34	25	25
Domestic coinage	445					445	230	228
Net gain on exchange	42					42		
Miscellaneous non-tax revenues ...	2,380	380			1,209	791	2,501	542
	8,421	2,477	112		1,209	4,623	6,092	2,485
Total non-tax revenues	12,697	2,507	112		1,245	8,833	10,659	6,960
Total revenues⁽³⁾	152,472	2,507	112	7,712	1,245	140,896	142,093	130,301

(1) Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.

(2) Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

(3) Additional details are provided in Table 4a in Section 1 of Volume II (Part I).

CHART 3A

TOTAL NET REVENUES BY MAIN CLASSIFICATION AS OF MARCH 31, 1997

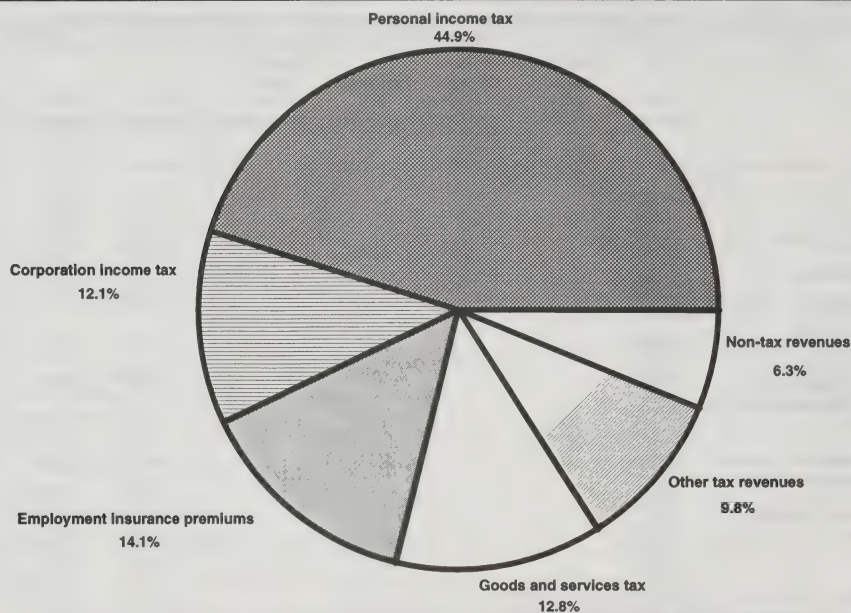


CHART 3B

TOTAL NET REVENUES

(in billions of dollars)



On a day-to-day basis, organizations within the Government transact with each other and thus contribute to gross amounts of revenues and expenditures. In preparing the financial statements, these "internal transactions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.3 provides details of internal revenue transactions and shows the total of revenues from both internal and external sources. The total gross revenues of \$158,110 million include

the total revenues from all sources. Revenues of consolidated Crown corporations, revenues netted against expenditures and tax credits and repayments are deducted to arrive at net total revenues of \$141,087 million from all sources. The interdepartmental revenues of \$191 million are deducted from the net total revenues to report the net external revenues of \$140,896 million which are detailed in Table 4a in Section 1 of Volume II (Part I).

TABLE 3.3

REVENUES FROM ALL SOURCES (in millions of dollars)

		<i>Less revenues of consolidated Crown corporations</i>	<i>Less revenues netted against expenditures</i>		<i>Less deferred revenues netted against expenditures</i>	<i>Less tax credits and repayments</i>	<i>Net revenues</i>
	Gross revenues		External revenues	Internal revenues			
External transactions	152,472	1,245	2,507		112	7,712	140,896
Internal transactions by main classification—							
Excise taxes and duties	1						1
Return on investments	4						4
Privileges, licences and permits	6			1			5
Refunds of previous years' expenditures	20						20
Service fees	3,390			3,384			6
Proceeds from sales	548			548			0
Proceeds from the disposal of surplus Crown assets	16						16
Miscellaneous non-tax revenues	1,652			1,514			138
Total internal transactions	5,638			5,447			191
Total revenues	158,110	1,245	2,507	5,447	112	7,712	141,087

Tax Revenues

Tax revenues include personal and corporation income taxes, other income tax revenues, employment insurance premiums, and excise taxes and duties.

Personal income tax

Personal income tax is levied on personal income under the provisions of the *Income Tax Act*. Personal income tax is the largest source of revenues.

Corporation income tax

Corporation income tax is levied on corporation income under the provisions of the *Income Tax Act*.

Other income tax revenues

Other income tax revenues include the non-resident income tax and other tax revenues.

Non-resident income tax is levied on income earned in Canada by non-residents under the provisions of the *Income Tax*

Act. This tax is derived from tax withheld from dividends, interest, rents, royalties, alimony, and income from estates and trusts paid to non-residents.

Other tax revenues are comprised primarily of withholding taxes on income earned in Canada by non-resident life insurance companies and income from trusts.

Employment insurance premiums

Premiums from employees and employers are levied under the provisions of the *Employment Insurance Act* and are classified as part of revenues.

Excise taxes and duties

Excise taxes and duties are collected under the *Excise Tax Act* and *Customs Tariff*. Excise taxes and duties include the goods and services tax, energy taxes, customs import duties, and other excise taxes and duties.

Goods and services tax

The goods and services tax (GST) became effective January 1, 1991. The GST is applied at a rate of 7 percent on most goods and services consumed in Canada, with the excep-

tion of basic groceries, most health and dental care services, most educational services, and residential rents. A comparative analysis of the GST is presented in Table 3.4.

TABLE 3.4
GOODS AND SERVICES TAX (GST)⁽¹⁾
 (in thousands of dollars)

	1996-97	1995-96
GST received (National Revenue)	40,669,637	37,990,372
Add: GST received by ministries on goods and services sold to outside parties:		
Agriculture and Agri-Food	5,280	5,115
Canadian Heritage	4,244	3,777
Citizenship and Immigration	6	7
Environment	1,102	609
Finance	60	71
Fisheries and Oceans	1,854	745
Foreign Affairs and International Trade	2	2
Governor General	4	4
Health	511	32
Human Resources Development	117	106
Indian Affairs and Northern Development	375	303
Industry	3,522	3,275
Justice	78	56
National Defence	744	665
National Revenue	131	131
Natural Resources	1,092	1,002
Parliament	49	12
Privy Council	22	38
Public Works and Government Services	11,289	11,445
Solicitor General	1,025	1,025
Transport	31,220	29,064
Treasury Board	597	576
Veterans Affairs	32	34
	63,356	58,094
Total GST received	40,732,993	38,048,466
Less: remission order for the GST paid by ministries on or for goods and services purchased from outside parties (National Revenue)	872,963	861,488
refunds paid (National Revenue)	17,539,687	16,481,988
rebates paid (National Revenue)	1,369,528	1,531,333
Gross GST received from outside parties	20,950,815	19,173,657
Less: quarterly tax credits paid (National Revenue)	2,872,081	2,798,941
Net GST received from outside parties	18,078,734	16,374,716

⁽¹⁾ Reported in: —Note 3 to the audited financial statements (Section 1 of this volume).
 —Statement of Transactions of the Debt Servicing and Reduction Account (Section 1 of this volume).
 —Statement of revenues in each ministerial section (Volume II-Part I).

Energy taxes

Energy taxes primarily include the excise tax on gasoline, aviation gas and diesel fuel.

Customs import duties

Revenues from customs import duties consist mainly of ad valorem taxes on the importation of goods levied under the *Customs Tariff*.

Other excise taxes and duties

Excise taxes and duties are levied on alcoholic beverages and tobacco products. In addition, excise taxes are imposed on other items such as jewellery and passenger vehicle air conditioners.

Non-Tax Revenues

Non-tax revenues include return on investments and other non-tax revenues.

TABLE 3.5

RETURN ON INVESTMENTS⁽¹⁾

(in millions of dollars)

	1996-97	1995-96
Consolidated accounts—		
Atomic Energy of Canada Limited.....	1	
Employment Insurance Account.....		228
	1	228
Cash in bank—		
Interest on bank deposits.....	229	370
Foreign exchange accounts—		
Exchange Fund Account.....	1,467	1,383
International Monetary Fund—Subscriptions.....	33	41
	1,500	1,424
Loans, investments and advances—		
Enterprise Crown corporations—		
Canada Deposit Insurance Corporation.....	88	123
Canada Development Investment Corporation.....	30	10
Canada Mortgage and Housing Corporation.....	632	680
Canadian National Railway System.....		7
Farm Credit Corporation.....	171	209
Other—		
Bank of Canada.....	1,310 ⁽²⁾	1,841 ⁽²⁾
Miscellaneous.....	38	28
	2,269	2,898
Joint and mixed enterprises.....	10	29
National governments including developing countries.....	121	89
International organizations.....	27	22
Provincial and territorial governments.....	19	22
Other loans, investments and advances.....	14	16
	2,460	3,076
Other accounts—		
Eso Ltd—Norman Wells Project profits.....	108	100
Other.....	9	19
	117	119
Total ministerial net return on investments.....	4,307	5,217
Exchange Fund Account adjustment ⁽³⁾	(44)	(246)
Accrual of non-tax revenues.....	(49)	(256)
Consolidated specified purpose accounts.....		(228)
Total net return on investments.....	4,214	4,487
Return on investments internal to the Government.....	(4)	(12)
Total net return on investments from outside parties.....	4,210	4,475
External revenues netted against expenditures.....	30	38
Consolidated Crown corporations.....	36	54
Total gross return on investments from outside parties.....	4,276	4,567

⁽¹⁾ Additional details are provided in Table 4a in Section I of Volume II (Part I).

⁽²⁾ On an accrual basis, the revenues are as follows: \$1,359 million for 1996-97 and \$1,763 million for 1995-96.

⁽³⁾ Adjustment to recognize the net income for the 12 months period ending March 31.

Return on investments

Return on investments consists mainly of interest from loans and advances, dividends from investments, and transfer of profits and surpluses. A comparative analysis of return on investments is presented in Table 3.5.

Other non-tax revenues

Other non-tax revenues are comprised of proceeds from the sale of surplus Crown assets and current goods and services, refunds of previous years' expenditures, service fees, privi-

leges, licences and permits, domestic coinage, and miscellaneous non-tax revenues. Details are reported by individual ministry in Volume II (Part I) of the *Public Accounts of Canada*.

EXPENDITURES

Expenditures consist of all charges which enter into the calculation of the annual deficit or surplus of the Government.

Accounting for Expenditures

Expenditures for Government operations are recorded when goods are received or services are rendered. Transfer payments are recorded as expenditures when paid or when the recipient has fulfilled the terms of a contractual transfer agreement. Capital leases are recorded as expenditures over the lease term

as payments are made. Expenditures include allowances for any changes in the value of any assets, or to reflect liabilities at their economic value.

Table 3.6 presents external expenditures by type on both a gross and a net basis. The difference between gross and net expenditures is revenues netted against expenditures, revenues of consolidated Crown corporations credited to expenditures, tax revenue items related to expenditures and included in revenues, and recovery of tax revenues credited to expenditures.

TABLE 3.6
EXTERNAL EXPENDITURES BY TYPE
(in millions of dollars)

	1996-97				1995-96		
	Gross expenditures ⁽¹⁾	Revenues netted against expenditures	Tax credits and repayments	Consolidated Crown corporations ⁽²⁾	Net expenditures ⁽¹⁾	Gross expenditures ⁽¹⁾	Net expenditures ⁽¹⁾
Transfer payments —							
Old age security benefits, guaranteed income supplement and spouse's allowance	21,207		(399)		21,606	20,430	21,034
Employment insurance benefits	12,380				12,380	13,476	13,476
Other levels of government—							
Canada health and social transfer ⁽³⁾	14,911				14,911		
Fiscal arrangements	9,820				9,820	9,803	9,803
Canada Assistance Plan	105				105	7,191	7,191
Insurance and medical care	(217)				(217)	7,115	7,115
Education support	(41)				(41)	2,365	2,365
Alternative payments for standing programs	(2,014)				(2,014)		
Child tax benefits	22,564				22,564	26,474	26,474
Child tax benefits	5,239		5,239		5,215		
Child tax benefits	61,390		4,840		56,550	65,595	60,984
Other transfer payments —							
Agriculture and Agri-Food	1,741				1,741	1,813	1,813
Finance	1,528				1,528	576	576
Foreign Affairs and International Trade	2,052				2,052	2,081	2,081
Human Resources Development	2,080				2,080	2,521	2,521
Indian Affairs and Northern Development	3,897				3,897	3,666	3,666
Industry	2,093				2,093	2,402	2,402
Veterans Affairs	1,369				1,369	1,391	1,391
Other	5,572		2,872		2,700	6,503	3,704
Other	20,332		2,872		17,460	20,953	18,154
Total transfer payments	81,722		7,712		74,010	86,548	79,138
Crown corporation expenditures	4,823			1,245	3,578	6,040	4,321
Other program expenditures—							
Canadian Heritage	895	101			794	883	806
Fisheries and Oceans	1,189	25			1,164	1,189	1,179
Foreign Affairs and International Trade	1,178	51			1,127	1,155	1,101
Industry	1,740	210			1,530	1,676	1,739
National Defence	8,931	390			8,541	10,293	9,935
National Revenue	2,049				2,049	2,055	2,055
Public Works and Government Services	1,899	264			1,635	1,837	1,672
Solicitor General	3,280	736			2,544	3,256	2,580
Transport	1,317	546			771	1,503	342
Other	7,373	296			7,077	7,370	7,145
Total other program expenditures	29,851	2,619			27,232	31,217	28,554
Total program expenditures	116,396	2,619	7,712	1,245	104,820	123,805	112,013
Public debt charges, Table 3.9	44,973				44,973	46,905	46,905
Total expenditures ⁽⁴⁾	161,369	2,619	7,712	1,245	149,793	170,710	158,918

(1) Reflected on the Statement of Revenues, Expenditures and Accumulated Deficit in Section 1 of this volume.

(2) Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

(3) The Canada health and social transfer was introduced in 1996-97 to replace the Capital Assistance Plan, Education support and Insurance and medical care.

(4) Additional information is provided in Table 2a in Section 1 of Volume II (Part I).

Chart 3C presents total net expenditures by type for the current fiscal year, while Chart 3D compares total net expenditures for the last ten fiscal years.

CHART 3C

TOTAL NET EXPENDITURES BY TYPE AS OF MARCH 31, 1997

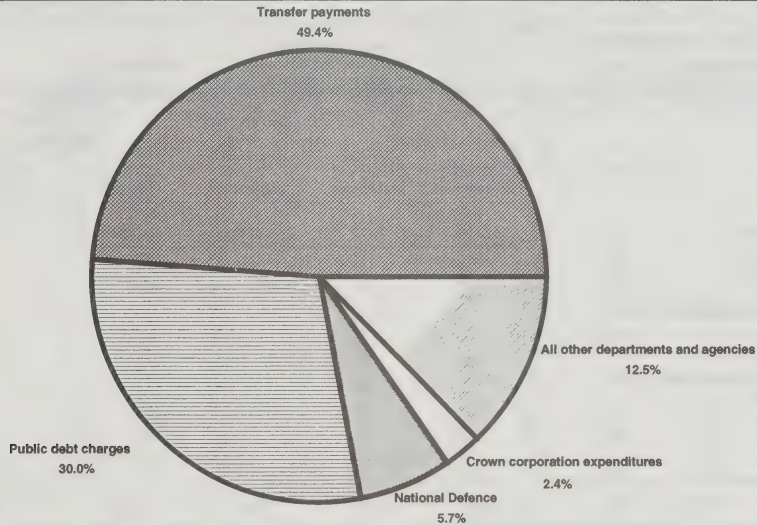
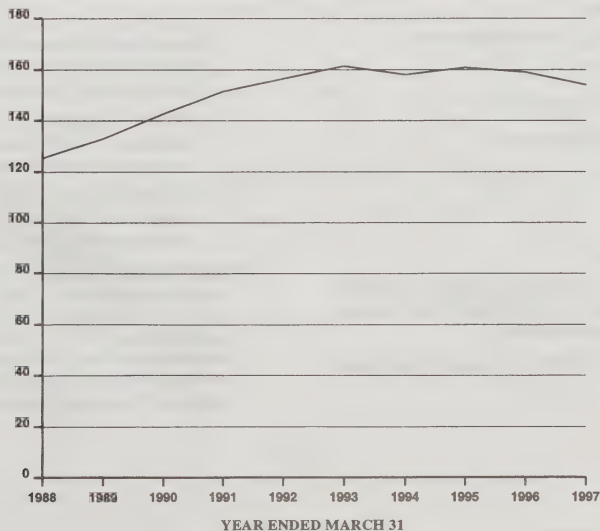


CHART 3D

TOTAL NET EXPENDITURES

(in billions of dollars)



On a day-to-day basis, organizations within the Government entity transact with each other and thus contribute to the amounts of revenues and expenditures recorded in the accounts. In preparing the financial statements, these "internal transac-

tions" are eliminated so as to report on the basis of transactions with outside parties only. Table 3.7 provides details of internal expenditure transactions and shows the total of expenditures transacted by the Government with all sources.

TABLE 3.7
EXPENDITURES BY SOURCE
(in millions of dollars)

	Gross expenditures	Less tax credits and repayments	Less revenues of consolidated Crown corporations	Less revenues netted against expenditures		Net expenditures
				External revenues	Internal revenues	
External transactions	161,369	7,712	1,245	2,619		149,793
Internal transactions —						
Canadian Heritage	20				17	3
Environment	33				31	2
Foreign Affairs and International Trade	9					9
Industry	53				43	10
National Defence	16				11	5
National Revenue	180				129	51
Public Works and Government Services	3,645				3,628	17
Solicitor General	79				72	7
Transport	108				41	67
Treasury Board	84				83	1
Other	36				17	19
Total internal transactions	4,263				4,072	191
Total expenditures	165,632	7,712	1,245	2,619	4,072	149,984

Government Spending

Government spending consists of four major types:

- transfer payments;
- Crown corporation expenditures;
- other program expenditures; and,
- public debt charges.

Transfer payments

Transfer payments include:

- payments to persons for income support or income supplement. Assistance is based on age, family status, income, and employment criteria;
- payments to provinces and territories under three main programs:

- Established Program Financing: financial assistance in respect of health care services and post-secondary education;
- Fiscal arrangements: unconditional fiscal transfer payments to lower income provinces including subsidies under the Constitution Acts; and,
- Canada Assistance Plan: federal Government's share in the cost of social assistance programs administered by provinces;

- other transfer payments, including various subsidies paid through federal programs to stabilize market prices for commodities, for the development of new technologies, for the conduct of research, for the establishment of new jobs through support for training, for the promotion of educational and cultural activities, and other miscellaneous payments.

Table 3.8 presents a comparative analysis by province of certain transfer payments.

TABLE 3.8
CERTAIN TRANSFER PAYMENTS BY PROVINCE
(in millions of dollars)

	Old age security benefits ⁽¹⁾	Employment insurance benefits	Fiscal arrangements	Alternative payments for standing programs	Canada health and social transfer	Insurance and medical care		Canada Assistance Plan	Education support	Child tax benefits	Total
						Extended health care	Insured health				
Newfoundland	459	659	1,048		343		(1)	9			2,517
	451	673	939			30	135	207	57		2,492
Prince Edward Island	121	164	194		72			4			555
	120	174	195			7	32	36	14		578
Nova Scotia	788	593	1,159		513		(1)	3	(1)		3,054
	776	640	1,137			48	220	285	93		3,199
New Brunswick	644	663	931		404		(1)	14			2,655
	631	724	945			39	176	207	74		2,796
Quebec	5,730	3,881	3,860	(2,014)	4,568	(1)	(46)	(2)	(20)		15,956
	5,560	4,279	4,011			377	916	1,997	370		17,510
Ontario	7,513	3,524	227		4,925	(1)	(8)		(3)		16,177
	7,299	3,720	594			569	2,300	2,508	952		17,942
Manitoba	946	335	1,154		601		(2)	21	(1)		3,054
	937	372	1,091			58	267	329	112		3,166
Saskatchewan	922	250	181		496		(4)	13	(2)		1,856
	913	284	219			52	236	243	99		2,046
Alberta	1,612	789	5		1,134	(1)	(22)	81	(10)		3,588
	1,556	980	39			141	582	493	237		4,028
British Columbia	2,699	1,509	28		1,792	(1)	(8)		(4)		6,015
	2,625	1,602	36			193	836	837	349		6,478
Total provinces	21,434	12,367	8,787	(2,014)	14,848	(4)	(93)	143	(41)		55,427
	20,868	13,448	9,206			1,514	5,700	7,142	2,357		60,235
Northwest Territories	16	34	855		44		1	6			956
	15	33	907			3	13	32	5		1,008
Yukon Territory	9	26	272		19						326
	9	26	296			2	8	11	3		355
International	151	2									153
	142	2									144
Sub-total	21,610	12,429	9,914	(2,014)	14,911	(4)	(92)	149	(41)		56,862
	21,034	13,509	10,409			1,519	5,721	7,185	2,365		61,742
Provision for valuation		(49)	(94)					(44)			(187)
		(33)	(606)				(125)	6			(758)
Total (Net)	21,610	12,380	9,820	(2,014)	14,911	(4)	(92)	105	(41)		56,675
	21,034	13,476	9,803			1,519	5,596	7,191	2,365		60,984
Add tax credits and repayments	(403)						(121)			5,239	4,715
	(604)									5,215	4,611
Total (Gross)	21,207	12,380	9,820	(2,014)	14,911	(4)	(213)	105	(41)	5,239	61,390
	20,430	13,476	9,803			1,519	5,596	7,191	2,365	5,215	65,595

Amounts in roman type are 1996-97 transfer payments.

Amounts in *italic* type are 1995-96 transfer payments.

(1) Includes the guaranteed income supplement and the spouse's allowance.

Crown corporation expenditures

Crown corporation expenditures include the net expenditures (expenditures less revenues) of consolidated Crown corporations and the expenditures related to enterprise Crown corporations.

Other program expenditures

Other program expenditures include defence spending, as well as Government administration and specific services delivered to the public. This spending covers the operating and capital costs associated with programs directly delivered by the federal Government such as food inspection, the Coast Guard, the federal court system, the operation of health facilities for natives and veterans, and the national parks system, to name just a few.

Public debt charges

Public debt charges include the interest on unmatured debt and on pension and other accounts, the amortization of premiums, discounts and commissions on unmatured debt, and the servicing costs and the costs of issuing new borrowings.

A comparative summary of public debt charges is presented in Table 3.9. The table also discloses the reconciling items between total public debt charges as reported in the Finance ministerial section (Section 6) of Volume II (Part I) and the total net expenditures of the public debt indicated in Table 3.6. The reconciling items include the expenditures of the consolidated specified purpose accounts and the financing costs related to the sale of investments.

TABLE 3.9
PUBLIC DEBT CHARGES⁽¹⁾
(in millions of dollars)

	1996-97	1995-96
Unmatured debt—		
Interest on:		
Marketable bonds	22,736	21,242
Canada savings bonds	2,380	2,184
Bonds for Canada Pension Plan	367	379
Canada notes	106	379 ⁽²⁾
	25,589	23,805
Amortization of premiums, discounts and commissions on:		
Treasury bills	7,021	11,118
Marketable bonds	301	342
Canada bills	371	304
Canada savings bonds	41	48
	7,734	11,812
Servicing costs and costs of issuing new borrowings	50	53
Total public debt charges related to unmatured debt	33,373	35,670
Interest on:		
Pension and other accounts—		
Public sector pensions—Superannuation accounts	11,137	10,481
Canada Pension Plan	178	294
Government Annuities Account	42	45
Deposit and trust accounts	79	85
Other specified purpose accounts	188	178
	11,624	11,083
Other accounts	59	69
Total public debt charges related to pension and other accounts ⁽³⁾	11,683	11,152
Interest on consolidated specified purpose accounts—		
Employment Insurance Account	108	35
Agricultural Commodities Stabilization Accounts	1	2
Other	18	17
Total public debt charges related to consolidated specified purpose accounts	128	54
Total public debt charges ⁽⁴⁾	45,184	46,876
Financing costs related to the sale of investments ⁽³⁾	(83)	83
	45,101	46,959
Less: total public debt charges related to consolidated specified purpose accounts	128	54
Total net/gross public debt charges with outside parties	44,973	46,905

(1) Additional details are provided in Table 2a in Section 1 of Volume II (Part I).

(2) Less than \$ 500,000.

(3) Combined as interest on pension and other accounts in Volume I, Section I, Note 4. iv., public debt charges.

(4) Additional details are provided in Section 9 of Volume II (Part II).

Expenditures by Standard Object

Table 3.10 presents total expenditures by standard object on both a gross and net basis for the current fiscal year.

TABLE 3.10

TOTAL EXPENDITURES BY STANDARD OBJECT (in millions of dollars)

	Less:			Total external expenditures
	Total expenditures	Internal expenditures	Internal revenues netted against expenditures	
Personnel	15,347		(11)	15,358
Transportation and communications	2,096	11	237	1,848
Information	350	5	102	243
Professional and special services	4,503	52	1,122	3,329
Rentals	1,831	38	805	988
Purchased repair and maintenance	1,628	13	283	1,332
Utilities, materials and supplies	2,870	8	176	2,686
Construction or acquisition of land, buildings and works	1,719	29	630	1,060
Construction or acquisition of machinery and equipment	2,815	1	19	2,795
Transfer payments	81,722			81,722
Public debt charges	44,973			44,973
Other subsidies and payments	5,778	34	709	5,035
Total gross expenditures	165,632	191	4,072	161,369
Add:				
Employment Insurance Account	1,374		1,374	
Internal expenditures		191		(191)
Less:				
Revenues netted against expenditures—				
External revenues	2,619			2,619
Internal revenues	5,446	191	5,446	(191)
Revenues of consolidated Crown corporations	1,245			1,245
Tax credits and repayments	7,712			7,712
	(15,648)		(4,072)	(11,576)
Total net expenditures	149,984	191		149,793

Expenditures under Statutory Authorities

Spending authorities provided by statutory authorities are for specified purposes and for such amounts and such time as the acts prescribe. These spending authorities do not generally lapse at the end of the year in which they were granted. Expenditures under such authorities account for more than two-thirds of the total net expenditures each year.

Table 3.11 presents a comparative summary of these statutory expenditures. The table also discloses the reconciling items between total ministerial expenditures under statutory author-

ities and total net statutory expenditures. The reconciling items include the statutory expenditures of the consolidated specified purpose accounts and the provision for valuation. External revenues netted against expenditures have been added to the total net statutory expenditures to obtain the total gross statutory expenditures with outside parties.

TABLE 3.11
EXPENDITURES UNDER STATUTORY AUTHORITIES
(in millions of dollars)

	1996-97	1995-96
Public debt charges	45,184	46,877
Canada health and social transfer— ⁽¹⁾		
Canada health and social transfer (Part V— <i>Federal-Provincial Fiscal Arrangements Act</i>)	14,911	
Payments for insured health services and extended health care services	(96)	7,241
Canada Assistance Plan payments	149	7,185
Post-secondary education payments to provinces and territories	(41)	2,365
	14,923	16,791
Old age security payments	16,576	15,999
Fiscal equalization (<i>Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act</i> —		
Part I)	8,728	8,801
Guaranteed income supplement payments	4,639	4,628
Adjustment to the accounts of Canada to reflect the sale of Petro-Canada shares pursuant to the <i>Petro Canada Public Participation Act</i>		1,328
Adjustment to the accounts of Canada to reflect the sale of Canadian National Railway Company shares pursuant to the <i>CN Commercialization Act</i>		1,101
Sales tax adjustment assistance (Part VII— <i>Budget Implementation Act, 1996</i>)	961	
Payments in connection with the <i>Western Grain Transition Payments Act</i>	708	889
Spouse's allowance payments	395	408
Grants to municipalities and other taxing authorities	402	398
Superannuation, supplementary retirement benefits, death benefits and other pensions— ⁽²⁾		
Public Service—		
Government's matching contribution to the Public Service Superannuation Account	955	881
Government's contribution as employer to the Employment Insurance Account	313	327
Government's matching contribution to the Canada and the Quebec Pension Plans	190	186
Government's matching contribution to the death benefit account	7	7
	1,465	1,401
Less: recoveries from revolving funds	70	68
	1,395	1,333
Canadian Forces—		
Government's matching contribution to the Canadian Forces Superannuation Account	392	410
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	14	15
Government's contribution as employer to the Employment Insurance Account	101	104
Government's matching contribution to the Canada and the Quebec Pension Plans	63	61
Government's matching contribution to the death benefit account	3	3
	573	593
Royal Canadian Mounted Police—		
Government's matching contribution to the Royal Canadian Mounted Police Superannuation Account	120	119
Statutory payments under the <i>Supplementary Retirement Benefits Act</i>	18	20
Government's contribution as employer to the Employment Insurance Account	30	28
Government's matching contribution to the Canada and the Quebec Pension Plans	17	15
	185	182
All other statutory expenditures	1,100	3,741
Total ministerial expenditures under statutory authorities	95,769	103,069
Consolidated specified purpose accounts—		
Employment Insurance Account	13,251	14,365
Western Grain Stabilization Account	(3)	(2)
Crop Reinsurance Fund	(2)	(1)
Agricultural Commodities Stabilization Accounts	14	25
Other	(103)	(7)
Total expenditures of consolidated specified purpose accounts	13,157	14,380
Provision for valuation	(3,967)	(5,667)
Total net statutory expenditures with outside parties	104,959	111,782
External revenues netted against expenditures	562	408
Total gross statutory expenditures with outside parties	105,521	112,190

⁽¹⁾ The Canada health and social transfer replaced the Established Programs Financing and the Canada Assistance Plan beginning in 1996-97.

⁽²⁾ Details related to other pension accounts such as the Members of Parliament Retiring Allowances Account are not included.

ACCUMULATED DEFICIT

The accumulated deficit account represents the net accumulation of annual deficits and surpluses of the Government of Canada since Confederation, together with certain amounts charged or credited directly to this account reflecting changes in accounting policies introduced over the years. The accumulated deficit is equal to the excess of recorded liabilities over total assets.

A Statement of Revenues, Expenditures and Accumulated Deficit is published in Section 1 of this volume.

Table 3.12 presents a ten year comparative statement of the accumulated deficit, in terms of total liabilities and total assets. Chart 3E presents the accumulated deficit for the last ten fiscal years.

TABLE 3.12

STATEMENT OF ACCUMULATED DEFICIT IN TERMS OF TOTAL LIABILITIES AND TOTAL ASSETS

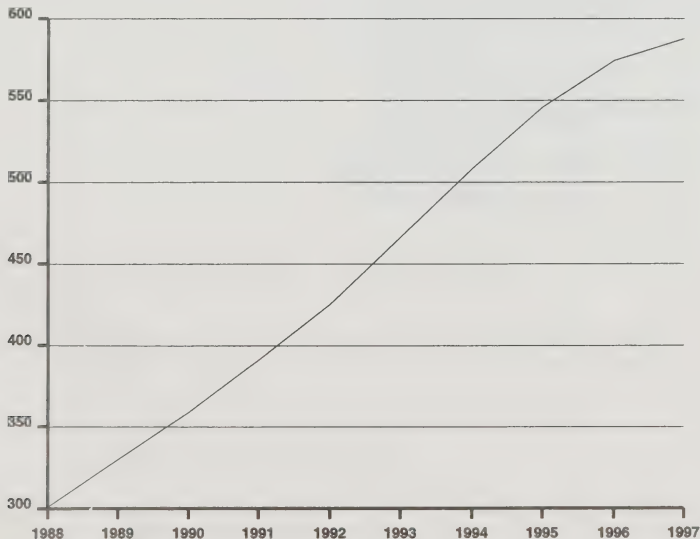
(in millions of dollars)

As at March 31	Total liabilities	Less total assets	Accumulated deficit	
			Amount	Increase
1997	640,657	57,471	583,186	8,897
1996	624,701	50,412	574,289	28,617
1995	584,798	39,126	545,672	37,462
1994	546,437	38,227	508,210	42,012
1993	503,884	37,686	466,198	41,021
1992	467,377	42,200	425,177	34,357
1991	433,353	42,533	390,820	32,000
1990	397,217	38,397	358,820	28,930
1989	371,541	41,651	329,890	28,773
1988	340,125	39,008	301,117	27,794

CHART 3E

ACCUMULATED DEFICIT

(in billions of dollars)



YEAR ENDED MARCH 31

SECTION 4

1996-97

PUBLIC ACCOUNTS OF CANADA

Consolidated Accounts

CONTENTS

	<i>Page</i>
Consolidated Crown corporations	4.3
Summary financial statements of consolidated Crown corporations	4.3
Borrowings by consolidated agent Crown corporations	4.8
Contingent liabilities of consolidated Crown corporations	4.8
Financial assistance under budgetary appropriations to consolidated Crown corporations	4.9
Consolidated specified purpose accounts	4.10
Major Accounts—	
Western Grain Stabilization Account	4.12
Crop Reinsurance Fund	4.13
Agricultural Commodities Stabilization Accounts	4.13
Employment Insurance Account	4.13
Insurance Accounts	4.14
Other Specified Purpose Accounts	4.15
Supplementary statement—	
Employment Insurance Account	4.18

CONSOLIDATED CROWN CORPORATIONS

This section provides all related information on consolidated Crown corporations. Consolidated Crown corporations are those Crown corporations who rely on Government funding as their principal source of revenue.

Consolidation involves the combination of the accounts of these corporations on a line-by-line and uniform basis of accounting and eliminating inter-organizational balances and transactions. Before these balances and transactions can be eliminated, the corporations' accounts must be adjusted to the Government basis of accounting. Most corporations follow generally accepted accounting principles (GAAP) used by private sector companies. The most significant difference between GAAP and the Government basis of accounting is that under GAAP, non-financial assets such as buildings, machinery, equipment and inventories are reflected as assets and written-off over their respective lives or as they are consumed or used. The Government treats the acquisition of non-financial assets as expenditures in the year of acquisition.

Summary Financial Statements of Consolidated Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of the consolidated Crown corporations.

For those corporations having other year ends than March 31, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

Tables 4.1 and 4.2 summarize the financial transactions and results of operations as reported by the consolidated Crown corporations.

Financial assets include cash, receivables, loans and investments. Financial assets are segregated between third parties and Government and Crown corporations. The financial assets reported under Government and Crown corporations represent receivables and, loans and investments between related parties. Physical assets and deferred charges are assets such as property, plant and equipment and inventories that are accounted for under generally accepted accounting principles by most corporations which differ from those of the Government. Liabilities include payables, borrowings and other obligations. Liabilities are segregated between third parties and Government and Crown corporations. Borrowings from third parties represent long-term debts payable of the corporations. Other third party liabilities are amounts due for purchases, employee benefits, various accruals, capital leases and like items. The liabilities reported under Government and Crown corporations represent payables and borrowings between related parties.

Revenues are the inflow of cash, receivables and other consideration arising in the course of ordinary activities of a corporation, normally the sale of goods, the rendering of services and the use by others of enterprise resources yielding interest, royalties and dividends. Revenues are segregated between third parties and Government and Crown corporations. Government and Crown corporations' revenues are broken down further to identify revenues arising from normal operations and financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are the outflow or reduction of assets or incurrence of liabilities resulting from a corporation's ordinary revenue generating or service delivery activities. Expenses are segregated between third parties and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the Crown corporation. Equity transactions other than current year's net income or loss are segregated between adjustments and transactions with the Government. Adjustments include prior period adjustments and other items affecting equity as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as capital transactions with the Government. The line "Conversion to the Government accounting basis for consolidation purposes" represents the adjustments required to bring the corporations' generally accepted accounting principles basis of accounting to the Government's basis of accounting.

These tables present consolidated financial information on consolidated parent Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Consolidated Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by consolidated agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Table 4.3 summarizes such borrowings for the consolidated corporations and the changes during the year ended March 31, 1997. Contingent liabilities of consolidated corporations are presented in Table 4.4.

A summary of financial assistance under Government budgetary appropriations to consolidated Crown corporations for the year ended March 31, 1997 is provided in Table 4.5. Differences in figures reported in Table 4.2 and those reported in Table 4.5 result from the use of different accounting policies and from items in transit.

TABLE 4.1

FINANCIAL POSITION OF CONSOLIDATED CROWN CORPORATIONS — ASSETS AND LIABILITIES
FOR THE YEAR ENDED MARCH 31, 1997
(in thousands of dollars)

	Assets			
	Financial		Physical assets and deferred charges	Total assets
	Third parties	Government and Crown corporations		
Crown corporations ⁽¹⁾				
Atomic Energy of Canada Limited	259,877	12,540	768,120	1,040,537
Canada Council	175,207	61,880	22,289	259,376
Canada Lands Company Limited				
Canada Lands Company Vieux-Port de Québec Inc.	494			494
Old Port of Montreal Corporation Inc.	915		514	1,429
Canada Museums Construction Corporation Inc. ⁽²⁾	13			13
Canada Mortgage and Housing Corporation				
Minister's Account				
Canadian Broadcasting Corporation	121,858	224,488	1,318,393	1,664,739
Canada Race Relations Foundation ⁽³⁾	753	25,000	41	25,794
Canadian Dairy Commission				
Dairy Support Operation Financed by the Government of Canada				
Canadian Film Development Corporation	15,140	34,332	2,870	52,342
Canadian Museum of Civilization	10,641	6,312	14,374	31,327
Canadian Museum of Nature	13,838	1,953	40,127	55,918
Defence Construction (1951) Limited	1,336	894	1,816	4,046
Enterprise Cape Breton Corporation	3,878	1,270	424	5,572
Queens Quay West Land Corporation ⁽⁴⁾	3,019			3,019
International Development Research Centre	35,926	12,354	5,008	53,288
Jacques Cartier and Champlain Bridges Incorporated, The	3,085	3,380	9,789	16,254
Marine Atlantic Inc	13,668		304,009	317,677
National Arts Centre Corporation	7,554	203	9,840	17,597
National Capital Commission	40,750	1,863	353,580	396,193
National Gallery of Canada	7,376	6,573	9,634	23,583
National Museum of Science and Technology	3,505	369	7,739	11,613
Standards Council of Canada	1,748	1,216	1,275	4,239
VIA Rail Canada Inc	54,992	58,313	588,829	702,134
Total	775,573	452,940	3,458,671	4,687,184
Conversion to the Government accounting basis for consolidation purposes	200		3,458,671	3,458,871
Total on the Government accounting basis	775,373	452,940		1,228,313

(1) All Crown corporations listed in this table are parent Crown corporations except the following: Canada Lands Company Vieux-Port de Québec Inc., Canada Museums Construction Corporation Inc., Old Port of Montreal Corporation Inc., and The Jacques Cartier and Champlain Bridges Incorporated.

(2) The corporation was dissolved in April, 1997.

(3) The Canada Race Relations Foundation was created pursuant to Bill C-93 in December 1990 and commenced operations in November 1996.

(4) Pursuant to Bill C-8, the dissolution of Queens Quay West Land Corporation has been delayed indefinitely.

Liabilities					
Third parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
3,581	472,001	106,870	582,452	458,085	1,040,537
	26,615	644	27,259	232,117	259,376
	2	289	291	203	494
	1,220	206	1,426	3	1,429
	905		905	(892)	13
	895,724	11,062	906,786	757,953	1,664,739
	52	1,385	1,437	24,357	25,794
	21,050	150	21,200	31,142	52,342
	14,502	444	14,946	16,381	31,327
	41,910	7,865	49,775	6,143	55,918
	3,596		3,596	450	4,046
	1,503		1,503	4,069	5,572
	1,917	45,800	47,717	(44,698)	3,019
	15,543	28,573	44,116	9,172	53,288
	3,687		3,687	12,567	16,254
	390,571	103	390,674	(72,997)	317,677
	5,303	137	5,440	12,157	17,597
	37,233	1,231	38,464	357,729	396,193
	8,068	3,527	11,595	11,988	23,583
	3,722	563	4,285	7,328	11,613
	1,813	50	1,863	2,376	4,239
	106,858	7,184	114,042	588,092	702,134
3,581	2,053,795	216,083	2,273,459	2,413,725	4,687,184
	877,101	(48,357)	828,744	2,630,127	3,458,871
3,581	1,176,694	264,440	1,444,715	(216,402)	1,228,313

TABLE 4.2

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1997

(in thousands of dollars)

Crown corporations	Revenues			
	Third parties	Government and Crown corporations		Total
		Financial assistance	Other	
Atomic Energy of Canada Limited	417,602	179,265	36,264	633,131
Canada Council	16,481	91,093	4,861	112,435
Canada Lands Company Limited				
Canada Lands Company Vieux-Port de Québec Inc.				
Old Port of Montreal Corporation Inc.	7,982	3,800		11,782
Canada Museums Construction Corporation Inc.				
Canada Mortgage and Housing Corporation				
Minister's Account		1,967,287		1,967,287
Canadian Broadcasting Corporation	506,456	896,424	2,570	1,405,450
Canada Race Relations Foundation	311	217	4	532
Canadian Dairy Commission				
Dairy Support Operation Financed				
by the Government of Canada		150,905		150,905
Canadian Film Development Corporation	26,061			26,061
Canadian Museum of Civilization	8,737	44,214		52,951
Canadian Museum of Nature	4,659	25,992		30,651
Defense Construction (1951) Limited		13,213	5,247	18,460
Enterprise Cape Breton Corporation	823		26	849
Queens Quay West Land Corporation	1,739			1,739
International Development Research Centre	9,187	97,527	14,401	121,115
Jacques Cartier and Champlain Bridges Incorporated, The	810	27,563		28,373
Marine Atlantic Inc.	93,207	73,029		166,236
National Arts Centre Corporation	16,748		765	17,513
National Capital Commission	43,479	84,214	3,472	131,165
National Gallery of Canada	4,723	29,822		34,545
National Museum of Science and Technology	3,643	19,746	85	23,474
Standards Council of Canada	3,367	5,184	1,754	10,305
VIA Rail Canada Inc.	188,460	218,289	909	407,658
Total	1,354,475	3,927,784	70,358	5,352,617
Conversion to the Government accounting				
basis for consolidation purposes	11,866	315,192		327,058
Total on the Government accounting basis	1,366,341	4,242,976	70,358	5,679,675

Notes to Table 4.1 are an integral part of this table.

Third parties	Expenses		Net income (loss)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
605,353	12,390	617,743	15,388	464,156			(21,459)	458,085
67,885	(1,181)	66,704	45,731	151,058			35,328	232,117
				203				203
11,790		11,790	(8)	11				3
16		16	(16)	(876)				(892)
1,892,730	74,557	1,967,287						
1,414,867	13,550	1,428,417	(22,967)	680,211	63,921		36,788	757,953
175		175	357				24,000	24,357
150,905		150,905						
161,072	1,396	162,468	(136,407)	35,604	131,945			31,142
51,040	3,105	54,145	(1,194)	17,575				16,381
30,153	2,299	32,452	(1,801)	5,633	2,311			6,143
17,741		17,741	719	(260)	(9)			450
14,005	221	14,226	(13,377)	2,746			14,700	4,069
3,904		3,904	(2,165)	(42,533)				(44,698)
119,033		119,033	2,082	20,549	(13,459)			9,172
29,046	507	29,553	(1,180)	13,524			223	12,567
229,674		229,674	(63,438)	(9,559)				(72,997)
33,642	1,091	34,733	(17,220)	11,956	17,421			12,157
121,749	6,920	128,669	2,496	355,233				357,729
26,990	6,090	33,080	1,465	10,523				11,988
19,226	4,014	23,240	234	7,094				7,328
9,901	208	10,109	196	2,180				2,376
477,756	2,759	480,515	(72,857)	643,453			17,496	588,092
5,488,653	127,926	5,616,579	(263,962)	2,368,481	202,130		107,076	2,413,725
(85,421)	30,242	(55,179)	382,237	(2,703,158)	(202,130)		(107,076)	(2,630,127)
5,403,232	158,168	5,561,400	118,275	(334,677)				(216,402)

Borrowings by Consolidated Agent Crown Corporations

Table 4.3 summarizes the borrowing transactions by consolidated agent Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that an annual statement be included in the *Public Accounts of Canada*. The borrowings are

from lenders other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings are consolidated in the summary financial statements of Canada.

TABLE 4.3

BORROWINGS BY CONSOLIDATED AGENT CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/1996	Borrowings and other credits	Payments and other charges	Balance March 31/1997
Atomic Energy of Canada Limited	5,809	360	2,588	3,581

Notes to Table 4.1 are an integral part of this table.

Contingent Liabilities of Consolidated Crown Corporations

Table 4.4 summarizes the contingent liabilities of the consolidated Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 4.4

CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS

(in thousands of dollars)

	March 31/1997
Agent Crown corporations	
Canada Lands Company Limited (Vieux-Port de Québec Inc.)—Miscellaneous litigation	1,100
Canada Mortgage and Housing Corporation	
Minister's Account—miscellaneous litigation	3,000
Canada Museums Construction Corporation Inc.—Contract disputes	345
Defence Construction (1951) Limited—Contract disputes	6,636
Canadian Film Development Corporation—Loan guarantees	1,587
International Development Research Centre—Contract dispute	820
National Capital Commission—Miscellaneous litigation and agreements	15,403
	28,891
Non-agent Crown corporation	
Marine Atlantic Inc.—Miscellaneous claims	5,211
Total	34,102

Notes to Table 4.1 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Consolidated Crown Corporations

Table 4.5 summarizes financial assistance under budgetary appropriations for both consolidated agent and non-agent Crown corporations. It should be read in conjunction with Table 4.2. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 4.5

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO CONSOLIDATED CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1997
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose Operations	Capital expenditures
<u>Agent Crown corporations</u>			
Atomic Energy of Canada Limited	197,454	197,454	
Canada Lands Company Limited			
Old Port of Montreal Corporation Inc.	3,800	3,800	
Canada Mortgage and Housing Corporation ⁽²⁾	1,967,287	1,967,287	
Canada Race Relations Foundation	24,000	24,000	
Canadian Broadcasting Corporation	997,133	900,424	96,709
Canadian Dairy Commission	156,500	156,500	
Canadian Film Development Corporation	92,454	92,454	
Canadian Museum of Civilization	44,213	44,213	
Canadian Museum of Nature	27,120	27,120	
Defence Construction (1951) Limited	12,956	12,956	
Enterprise Cape Breton Corporation	14,700	14,700	
National Capital Commission	76,194	59,199	16,995
National Gallery of Canada	31,974	28,974	3,000
National Museum of Science and Technology	19,746	19,746	
	3,665,531	3,548,827	116,704
<u>Non-agent Crown corporations</u>			
Canada Council	91,093	91,093	
International Development Research Centre	96,100	96,100	
Jacques Cartier and Champlain Bridges Incorporated, The	27,910	27,910	
Marine Atlantic Inc.	97,200	97,200	
National Arts Centre Corporation	17,421	17,421	
Standards Council of Canada	5,184	5,184	
Queens Quay West Land Corporation	6,700	6,700	
VIA Rail Canada Inc.	235,804	235,804	
	577,412	577,412	
Total	4,242,943	4,126,239	116,704

(1) Excludes grants and contributions paid to agent and non-agent consolidated Crown corporations where they qualify as members of a general class of recipients.

(2) Includes budgetary appropriations for Government programs known as the "Minister's account".

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

Consolidated specified purpose accounts are special categories of revenues and expenditures which report transactions of certain accounts where enabling legislation requires that revenues be earmarked, and that related payments and expenditures be charged against such revenues. They are used principally where the activities are similar in nature to departmental activities and the transactions do not represent liabilities to third parties but in essence constitute Government revenues and expenditures.

In the past, earmarked revenues were credited to non-budgetary accounts, with related offsetting payments and expenditures charged thereto. The transactions of these accounts are now reported with revenues and expenditures, in order to

provide a more comprehensive reporting of the Government's operating results.

Further, enabling legislation requires that the transactions in each of these accounts be accounted for separately. Table 4.6 presents a summary of the balances and transactions of these accounts, in the manner required by legislation. A narrative description is provided for accounts reported in Table 4.6. Such description follows the same presentation order as the respective table.

The financial statements of the Employment Insurance Account, together with the Auditor General's report thereon, are presented at the end of this section.

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS

	Receipts and other credits		Payments and other charges		March 31/1997
	April 1/1996	External transactions	Internal transactions	External transactions	Internal transactions
	\$	\$	\$	\$	\$
Major Accounts—					
Agriculture and Agri-Food—					
Western Grain Stabilization Account	23,735,856			(2,875,025)	26,610,881
Less interest-bearing loans	1,112,000,000				1,112,000,000
	(1,088,264,144)			(2,875,025)	(1,085,389,119)
Crop Reinsurance Fund	158,139,289	61,203,119		(2,118,673)	221,461,081
Less interest-bearing loans	443,156,751				443,156,751
	(285,017,462)	61,203,119		(2,118,673)	(221,695,670)
Agricultural Commodities Stabilization Accounts	33,106,899	803,146	1,179,983	13,655,838	1,950,369
	(1,340,174,707)	62,006,265	1,179,983	8,662,140	1,950,369
					(1,287,600,968)
Human Resources Development—					
Employment Insurance Account, Table 4.7	27,041,525	19,816,292,998	552,366,151	13,902,048,086	6,493,652,588
Total major accounts	(1,313,133,182)	19,878,299,263	553,546,134	13,910,710,226	5,206,051,620
Insurance Accounts—					
Finance—					
Investors' Indemnity Account	45,303				45,303
Fisheries and Oceans—					
Fishing Vessel Insurance Plan	28,558,344	(27,287,926)		1,270,418	
Health—					
Health Insurance Supplementary Account	28,387				28,387
Natural Resources—					
Atomic Energy Control Board—					
Nuclear Liability Reinsurance Account	544,321				544,321
Transport—					
Ship-Source Oil Pollution Fund	247,333,080		15,484,807	2,180,418	260,637,469
Total insurance accounts	276,509,435	(27,287,926)	15,484,807	3,450,836	261,255,480

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—Continued

	Receipts and other credits		Payments and other charges		March 31/1997
	April 1/1996	External transactions	Internal transactions	External transactions	Internal transactions
	\$	\$	\$	\$	\$
Other Specified Purpose Accounts—					
Agriculture and Agri-Food—					
Crops Sector Companion Program			111,511,975		111,511,975
Canadian Heritage—					
Alexander Graham Bell National Historic Site	5,933				5,933
Claudia de Hueck Bequest Account	378,979		13,583		392,562
Marconi Celebration Trust Fund	8,504	27,500		31,683	4,321
National Archives of Canada—					
Donations	250,934	360,345		402,753	208,526
National Battlefields Commission—					
Trust Fund Account	340,747	397,003	11,689	156,993	592,446
National Library—					
Special Operating Account	67,974	124,107		113,528	78,553
	1,053,071	908,955	25,272	704,957	1,282,341
Citizenship and Immigration—					
50th Anniversary of the Canadian Citizenship Act Celebrations		115,000		8,476	106,524
Environment—					
Endangered Species—Donations	139	25			164
Fish Habitat Restoration Account	861,418			607,570	253,848
	861,557	25		607,570	254,012
Finance—					
Canadian Commercial Bank and Northland Bank Holdback Account	246,223,464				246,223,464
Fisheries and Oceans—					
Supplementary Fines Fish Account	61,486	59,000		28,684	91,802
Governor General—					
Friends of Rideau Hall Account	26,172	96,351		97,102	25,421
Health—					
Sioux Lookout Zone Hospital					
Dawson City Nursing Station—					
Father Judge Memorial	59,815			9,998	49,817
Medical Research Council—					
Donations for Research	2,555,957	4,196,749	86,248	2,551,303	4,287,651
	2,615,772	4,196,749	86,248	2,561,301	4,337,468
Human Resources Development—					
Canadian Centre for Occupational Health and Safety—Donations	79,251	1,270			80,521
Indian Affairs and Northern Development—					
Environmental Studies Research Fund	180,446			13,290	167,156
Industry—					
National Research Council of Canada—					
H. L. Holmes Fund	23,052	51,002		54,686	19,368
Natural Sciences and Engineering Research Council—Donation Trust Fund		64		64	
	23,052	51,066		54,750	19,368
Natural Resources—					
Environmental Studies Research Fund	271,316			63,789	207,527
Privy Council—					
Canadian Transportation Accident Investigation and Safety Board—					
Flight Recorder Software Systems Account	20,294	80,788		2,844	98,238

TABLE 4.6

CONSOLIDATED SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1996	Receipts and other credits		Payments and other charges		March 31/1997
		External transactions	Internal transactions	External transactions	Internal transactions	
	\$	\$	\$	\$	\$	\$
National Round Table on the Environment and Economy—Donations . . .	70,594	353,677		380,314		43,957
	90,888	434,465		383,158		142,195
Public Works and Government Services—Seized Property Proceeds Account	15,095,496	12,164,036		15,349,212		11,910,320
Transport—Fines for the Transportation of Dangerous Goods	9,693	31,100				40,793
Total other specified purpose accounts	266,591,664	18,058,017	111,623,495	19,872,289		376,400,887
Total	(770,032,083)	19,869,069,354	680,654,436	13,934,033,351	1,950,369	5,843,707,987

Western Grain Stabilization Account

The purpose of the *Western Grain Stabilization Act* was to protect prairie grain producers from unexpected and large income declines, through the stabilization of returns on the production and sale of wheat, oats, barley, rye, domestic mustard seed, canola, flax seed, triticale, mixed grain, sunflower seed, buckwheat, peas, lentils, favabeans and canary seed as well as any other prescribed seed that was produced in the designated area and was a grain for which a grade has been established and designated as "Canada Western" by regulation under the *Canada Grain Act*.

This account recorded funds which were received from:

- (a) levies paid by participating producers—levy rate ranging from 1 percent to 4 percent were applied to a participant's grain sales proceeds not exceeding \$60,000 per year;
- (b) Government contributions were equal to levies paid by producers plus an additional 2 percent of the participant's eligible grain sales proceeds of all participants on which the levy was paid by participants;
- (c) interest on the amount that was standing to the credit of the Account at rates and in accordance with the terms and conditions which were determined by the Minister of Finance; and,

- (d) advances from the Consolidated Revenue Fund, pursuant to section 45 of the *Western Grain Stabilization Act* when the balance in the Account was not sufficient for the payment of the stabilization payments and other amounts required to be charged to the Account pursuant to section 44 of the *Western Grain Stabilization Act*.

Treatment of the Account's deficit upon termination of the Western Grain Stabilization Account is subject to the provision of subsection 24(3) of the *Farm Income Protection Act*: "The Governor in Council may, by order, fix the day on which the Western Grain Stabilization Account continued pursuant to subsection (1) shall be closed." The *Western Grain Stabilization Act* has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Payments and other charges to outside parties of -\$2.9 million (-\$2.0 million in 1996) are reported and presented in the Statement of Revenues, Expenditures and Accumulated Deficit.

Crop Reinsurance Fund

This Fund, continued in the accounts of Canada pursuant to section 13(1) of the *Farm Income Protection Act*, provides insurance to participating provinces for costs they incur in operating various crop insurance schemes. The Crop Reinsurance Fund currently operates under the authority of the *Farm Income Protection Act*.

The revenues of the Fund come from moneys paid by the provinces for the purpose of reinsurance and the expenditures of the Fund are moneys paid to the provinces under the terms of reinsurance agreements. When there is insufficient revenues in the Fund to meet payments, the Minister of Finance advances additional funds to cover these obligations. These advances are recovered without interest from future revenues from the provinces.

Receipts and other credits from outside parties of \$61 million (\$57 million in 1996) are reported as revenues, while payments and other charges show a credit of \$2.1 million, due to recovery of previous payments (\$1.3 million in 1996), are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Agricultural Commodities Stabilization Accounts

The purpose of these accounts was to reduce income loss to producers from market risks through stabilizing prices. Premiums were shared equally by the Government of Canada, the governments of participating provinces and participating producers.

The Sugar Beet and Apple Programs and accounts remain active. The remaining accounts are active solely for the collection of accounts receivable as the programs have already terminated. These accounts are as follows:

- (a) hogs;
- (b) feeder cattle;
- (c) slaughter cattle;
- (d) feeder calves;
- (e) home-raised lambs;
- (f) ewe flock;
- (g) white pea beans;
- (h) kidney/cranberry beans;
- (i) other coloured beans;
- (j) honey; and,
- (k) onions.

These accounts are continued in the accounts of Canada pursuant to section 16(2) of the *Farm Income Protection Act*. The *Agricultural Stabilization Act*, under which the commodity accounts formerly operated, has been repealed and replaced by the *Farm Income Protection Act* effective April 1, 1991.

Receipts and other credits from outside parties of \$1 million (\$6 million as revised in 1996) are reported as revenues, while payments and other charges to outside parties of \$14 million (\$15 million as revised in 1996) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$1 million (\$6 million in 1996), and payments and other charges of \$2 million (\$2 million as revised in 1996), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Employment Insurance Account

The *Employment Insurance Act* provides for a compulsory contributory employment insurance program applicable to all employees, with few exceptions.

The Act authorizes that an account be established in the accounts of Canada to be known as the Employment Insurance Account.

The Act provides that the following be credited to the Account: (a) premiums, penalties and interest; (b) refunds of overpayments of benefits and, since November 18, 1990, special assistance payments and benefit repayments; (c) amounts for services rendered to other Government departments or agencies, or to the public; (d) amounts provided for any other purpose related to employment insurance and authorized by an appropriation administered by the Canada Employment Insurance Commission; and, (e) interest on the balance of the Account at such rates as the Minister of Finance may authorize.

The Act also provides that the following be charged to the Account: (a) benefits and, since November 18, 1990, special assistance payments paid under the Act; (b) costs of administering the Act; and, (c) interest on advances made by the Minister of Finance.

Premium rates for each \$100 of insurable earnings were \$2.95 from April 1, 1996 to December 31, 1996 and \$2.90 from January 1, 1997 to March 31, 1997. Maximum weekly benefits were \$465 from April 1, 1996 to June 30, 1996 and \$413 from July 1, 1996 to March 31, 1997.

Receipts and other credits from outside parties of \$19,816 million (\$18,510 million in 1996) are reported as revenues, while payments and other charges to outside parties of \$13,902 million (\$14,863 million in 1996) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$552 million (\$494 million in 1996), and payments and other charges of «nil» (\$3,614 million in 1996), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Table 4.7 presents a statement of the transactions in the Employment Insurance Account. Notwithstanding the accounting policies of the Government, the data in Table 4.7, except for administration costs, are presented on a cash basis. This method is used to permit a direct reconciliation of data with the accounts of Canada and the data in Table 4.6. For the purpose of presentation in the financial statements of the Government of Canada, adjusting entries have been brought to these accounts in order to conform to the stated accounting policies.

The Employment insurance benefits as reported in Table 4.7 (\$12,528 million) differ from the benefits (\$12,380 million) reported in the Statement of Revenues, Expenditures and Accumulated Deficit (Section 1 of this volume). The difference is attributed to further adjustments due to the provision for valuation (\$49 million) and the employment insurance benefits recovery of \$99 million through the Income Tax System.

TABLE 4.7

TRANSACTIONS IN THE EMPLOYMENT INSURANCE ACCOUNT

(in millions of dollars)

	1996-97	1995-96
RECEIPTS AND OTHER CREDITS—		
Premiums—		
Employers and employees.....	20,207	18,921
Penalties.....	53	47
Interest earned.....	108	35
	<u>20,368</u>	<u>19,003</u>
PAYMENTS AND OTHER CHARGES—		
Benefits.....	12,528	13,512
Administration costs.....	1,374	1,351
Interest expense.....		228
	<u>13,902</u>	<u>15,091</u>
Net change.....	6,466	3,912
Repayments.....		(3,386)
Balance at beginning of year.....	27	(499)
Balance at end of year.....	<u>6,493</u>	<u>27</u>

Insurance Accounts

For the following Insurance Accounts, receipts and other credits from outside parties of \$-27 million (\$3 million in 1996) are reported as revenues, while payments and other charges to outside parties of \$3 million (\$7 million in 1996) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$15 million (\$17 million in 1996), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Investors' Indemnity Account

Section 57 of the *Financial Administration Act* provides for this account, and for the crediting thereto of the sum of \$25,000, such further amounts as are appropriated by Parliament for the purpose of this section, and any recovery of losses referred to in section 58 of the Act. This sum was increased to \$50,000 by Treasury Board Submission No 817667 dated December 12, 1991.

Section 58 states that the Minister may, in accordance with and subject to regulations, pay out of the account, any losses sustained by subscribers for Government securities, who have paid all or part of the purchase price but have not received the security or repayment of the amount so paid, and losses sustained by any person in the redemption of securities.

Fishing Vessel Insurance Plan

The Fishing Vessel Insurance Plan was administered in accordance with Vote 540, *Appropriation Act No. 5, 1955*, extended by Vote 527, *Appropriation Act No. 6, 1956* and Vote L38b, *Appropriation Act No. 1, 1970*, to insure fishermen against abnormal capital losses. The account was credited with premiums and recoveries, and with advances in accordance with the regulations, such advances not to exceed \$150,000 at any time. The account was charged with indemnities, refunds of premiums and payments in settlement of third party vessel collision damage claims against fishermen where the collision involve a vessel insured under the Fishing Vessel Insurance Plan. The Fishing Vessel Insurance Plan was closed March 31, 1997 through repealing the plan as established pursuant to Vote 540, *Appropriation Act No. 5, 1955* and amendments.

Health Insurance Supplementary Account

This account was established pursuant to Vote L16b, *Appropriation Act No. 2, 1973*, to record payments in respect of persons who, through no fault of their own, have lost or been unable to obtain coverage for the insured health services under the *Canada Health Act*, and in accordance with the Federal-Provincial Agreement on Eligibility and Portability. Contributions are made by all provinces to the account in proportion to population and are matched by the Federal Government.

Nuclear Liability Reinsurance Account

This account was established pursuant to sections 16 and 17 of the *Nuclear Liability Act*, to record premiums and to provide for payment of claims arising from accidents at an insured facility.

Ship-Source Oil Pollution Fund

This account was established pursuant to section 702 of the *Canada Shipping Act*, to record levy tonnage payments for oil carried by ships in Canadian waters. Maritime pollution claims, the fee of the Fund Administrator, and related oil pollution control expenses, are to be financed out of the Fund.

Other Specified Purpose Accounts

For the following Other Specified Purpose Accounts, receipts and other credits from outside parties of \$18 million (\$14 million in 1996) are reported as revenues, while payments and other charges to outside parties of \$20 million (\$4 million in 1996) are reported as expenditures in the Statement of Revenues, Expenditures and Accumulated Deficit.

Receipts and other credits of \$112 million (\$nil in 1996), internal to the operations of the Government, have been eliminated in order to present transactions with outside parties.

Crop Sector Companion Program

The Crops Sector Companion Program will provide additional assistance to Net Income Stabilization Account (NISA) participants in Saskatchewan, who produce eligible commodities, in the event of reduced farm cash receipts in the 1995 and 1996 calendar years. Payments will be made to producers if crop sector revenue falls below a guaranteed revenue target for each of the two years.

Under the Program, the federal Government and Saskatchewan will provide annual premium contributions of \$54.5 million and \$30.5 million, respectively for each of the two years.

In the event that triggered program payouts exceed the program funds available, the federal Government will make an additional contribution not exceeding \$50 million for the two-year period. Saskatchewan has also contributed an additional \$45 million, from its share of the Gross Revenue Insurance Program (GRIP) surplus.

Although the federal liability under the Program is capped at a maximum of \$159 million, the actual federal contributions are subject to payments being triggered. Any unused premium contributions at the conclusion of the Program will be refunded to the federal Government and to Saskatchewan in proportion to their respective contributions.

This account records the federal Government's share of the Program. The Saskatchewan's share is reported in Table 6.26 (Section 6 of this volume).

No payments will be triggered to producers for either the 1995 or 1996 calendar years based upon the calculation formula using annual farm cash receipts from Saskatchewan. An amendment to the agreement has been prepared for signature which directs how the monies paid into the account, plus interest earned and the \$50 million additional federal contribution would be paid out. The federal monies would be transferred to the Crop Reinsurance Fund of Canada for

Saskatchewan and the provincial monies would be paid to Saskatchewan to reduce the deficit in the Crop Reinsurance Fund of Saskatchewan and to provide \$5 million as start-up funding for a New Crops Companion Program in 1997. Once these monies will be paid out, the account will then be closed.

Alexander Graham Bell National Historic Site

This account was established to accept donations from various companies of the Canadian telecommunications industry for the redevelopment of the Alexander Graham Bell National Historic Site. These donations will be used for the construction of facilities for disabled visitors in addition to improving the reception, orientation and special events services.

Claudia de Hueck Bequest Account

This account was established pursuant to section 15 of the *Science Council of Canada Act*, to record a bequest made by Mrs. Claudia de Hueck to be used to promote the study of humanities and for general educational purposes.

Marconi Celebration Trust Fund

This account was established for the purpose of raising monies through public subscriptions and others to construct, operate and maintain a National Historic Site in Glace Bay, Nova Scotia to commemorate the efforts and accomplishments of Guglielmo Marconi in the field of wireless communications.

National Archives of Canada—Donations

This account was established pursuant to section 10 of the *National Archives Act*, to record monies received for the purposes of the National Archives, by way of donations, bequest or otherwise. Amounts received for the purposes of the *National Archives Act* may be paid out of this account, or out of money appropriated by Parliament for such purposes.

National Battlefields Commission—Trust Fund Account

This account was established at the creation of the National Battlefields Commission for the purpose of acquiring various properties for the development of the park. The monies are received by way of private contributions, from municipal corporations, provincial governments and others, and deposited for the purposes of the Commission, as prescribed for in its Act of incorporation. Following the land acquisitions of the Commission, an amount of money remained in the account and increased over a period of years as a result of interest earned, while the Commission was listed in Schedule C of the *Financial Administration Act*, prior to September 1, 1984.

National Library—Special Operating Account

This account was established pursuant to section 14 of the *National Library Act*, which also directed that (a) the account be credited with all monies received for the purpose of the National Library by way of donation, bequest or otherwise and (b) any amounts required for the purpose of the Act may be paid out of the account or out of money appropriated by Parliament for such purposes.

50th Anniversary of the Canadian Citizenship Act Celebrations

This account was established to record deposits of donations received from the private sector to support celebrations of the 50th anniversary of the *Canadian Citizenship Act*. The funds received will be used to produce educational and promotional material.

Endangered Species—Donations

This account was established to record donations, gifts or bequests received from individuals and organizations to finance various studies related to Endangered Species.

Fish Habitat Restoration Account

This account was established pursuant to section 79(2) of the *Fisheries Act*, for a specified purpose; this purpose being:

Québec: Together with the "Fondation de la faune du Québec" and the Department of Leisure, Fish and Game of Quebec, the restoration of wildlife habitats, notably wetlands, water levels control, acquisition of shorelands, restoration of spawning grounds damaged by encroachment on the St. Lawrence River and release of trout and other fish species in these spawning grounds being restored;

Northwest Territories: To promote the conservation of fish or fish habitat in the waters of or adjacent to the Northwest Territories. It may include the design, construction or operation of an aquarium at Iqaluit or the funding or conduct of programs approved by the Department of Environment Canada related to sewage waste treatment and disposal in relation to the Northwest Territories; and,

Manitoba: To promote the conservation of fish or fish habitat in or adjacent to the Winnipeg River System.

Canadian Commercial Bank and Northland Bank Holdback Account

This account was established to record the amount held from the recovery of monies received from the winding up of Canadian Commercial Bank and Northland Bank.

During 1996-97, no claims have been received for potential payments from the holdback.

Supplementary Fines Fish Account

The account was established to record the deposit of monies received from persons declared guilty of offences under the *Fisheries Act*, and fined by courts under subsection 79.2 (f) of the Act.

Friends of Rideau Hall Account

This account was established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund Heritage projects.

Sioux Lookout Zone Hospital

This account was established to record transactions relating to a donation made by the Hospital for Sick Children Foundation to be used to finance a paediatric play program volunteer service at Sioux Lookout Zone Hospital.

Dawson City Nursing Station—Father Judge Memorial

The account was established to record an amount received as an unconditional gift for use at Dawson City Nursing Station—Father Judge Memorial. The gift, given by Mr. Ole Sigur Lunde of Dawson City, Yukon Territory will be disbursed for the specified purpose (i.e. Dawson City Nursing Station—Father Judge Memorial) in accordance with the mandate of Health Canada.

Medical Research Council — Donations for Research

This account was established under section 5(3) of the *Medical Research Council Act* to record donations and contributions received from organizations and individuals for biomedical research.

Canadian Centre for Occupational Health and Safety—Donations

This account was established pursuant to section 6(3) of the *Canadian Centre for Occupational Health and Safety Act*, to record monies, securities or other property received by way of gift, bequest or otherwise, and to disburse such donations at the discretion of the Centre.

Indian Affairs and Northern Development—Environmental Studies Research Fund

This account was established pursuant to section 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

H.L. Holmes Fund

This account was established pursuant to section 13(1)(f) of the *National Research Council Act* to record the residue of the estate of H. L. Holmes. Up to two thirds of the yearly net income from the fund shall be used to finance the H. L. Holmes Award on an annual basis. These awards will provide the opportunity to Post-Doctoral students to study at world famous Graduate School or Research Institutes under outstanding research persons.

Natural Sciences and Engineering Research Council—Donation Trust Fund

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record monies, securities or other property received by way of gift, bequest or otherwise as approved by the Natural Sciences and Engineering Research Council. The account is charged with payments and with the disposal of such monies, securities or other property, subject to the terms upon which such monies are given, bequeathed or otherwise made available to the Council, and subject to the approval of the Council.

Natural Resources—Environmental Studies Research Fund

This account was established pursuant to section 76(1) of the *Canada Petroleum Resources Act*. The purpose of the Fund is to finance environmental and social studies pertaining to the manner in which, and the terms and conditions under which, exploration development and production activities on frontier land, authorized under this Act or any other Act of Parliament, should be conducted.

Flight Recorder Software Systems Account

This account was established to record cash contributions and expenditures related to a cost sharing agreement with other government safety organizations who have acquired a software system which was developed by the Canadian Transportation Accident Investigation and Safety Board for use in aircraft accident investigations for the purpose of advancing aviation safety.

National Round Table on the Environment and Economy—Donations

This account was established to record payments, grants and donations received from third parties, and expenses associated with National Round Table on the Environment and Economy programs and activities.

Seized Property Proceeds Account

This account was established pursuant to section 13 of the *Seized Property Management Act*, to record the net proceeds received from the disposition of seized and forfeited properties to Her Majesty or fines imposed and also monies received from the government of foreign states pursuant to agreements for the purpose of the Act. The Act also provides that the following be charged to the Account: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on drawdown from Seized Property Working Capital Account and distribution of the proceeds to other Government departments and the Consolidated Revenue Fund.

Fines for the Transportation of Dangerous Goods

This account was established pursuant to the *Transportation of Dangerous Goods Act 1992* and related regulations to record fines levied by courts.

SUPPLEMENTARY STATEMENT

Employment Insurance Account

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The following financial statements have been prepared by Management of the Canada Employment Insurance Commission in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and the estimates of importance in these financial statements are Management's responsibility.

In support of its responsibility, Management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of the financial information, and to ensure that the transactions are in accordance with the *Employment Insurance Act* and Regulations, as well as the *Financial Administration Act* and Regulations.

The Employment Insurance Account's external auditor, the Auditor General of Canada, audits the operations and financial statements and reports to the Minister of Human Resources Development.

MEL CAPPE
Chairperson

MARCEL NOUVET
*Assistant Deputy Minister
Financial and Administrative Services*

July 25, 1997

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the balance sheet of the Employment Insurance Account as at March 31, 1997 and the statement of operations and surplus for the fifteen month period then ended. These financial statements are the responsibility of the Management of the Canada Employment Insurance Commission. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Employment Insurance Account as at March 31, 1997 and the results of its operations and the changes in its financial position for the fifteen month period then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 25, 1997

Employment Insurance Account—Continued**BALANCE SHEET AS AT MARCH 31, 1997**

(in thousands of dollars)

ASSETS	March 31, 1997	December 31, 1995	LIABILITIES AND SURPLUS	March 31, 1997	December 31, 1995
Balance of the account with Receiver General for Canada	7,099,716	931,107	Unredeemed warrants	233,758	235,187
Premiums receivable	854,000	454,892	Amounts payable (Note 4)	393,068	263,306
Due from claimants (Note 3)	433,738	361,277	Accrued benefits	459,751	582,744
				1,086,577	1,081,237
			Surplus	7,300,877	666,039
	8,387,454	1,747,276		8,387,454	1,747,276

The accompanying notes and schedules are an integral part of these financial statements.

Approved by the Commission:

MEL CAPPE*Chairperson***MARCEL NOUVET***Assistant Deputy Minister**Financial and Administrative Services***STATEMENT OF OPERATIONS AND SURPLUS
FOR THE 15 MONTHS ENDING MARCH 31, 1997**

(in thousands of dollars)

	March 31 1997 (15 months)	December 31, 1995 (12 months)
Revenue		
Premiums (Note 5)	24,815,170	19,179,892
Interest on the balance of the account with Receiver General for Canada (Note 6)	119,447	27,621
Penalties	88,223	83,446
	25,022,840	19,290,959
Expenses		
Benefits and support measures (Note 7 and Schedule I)	16,602,394	13,504,986
Administration costs (Note 8)	1,712,570	1,331,081
Doubtful debts	73,038	77,952
Interest on advances from Canada		109,671
	18,388,002	15,023,690
Surplus for the period	6,634,838	4,267,269
Surplus (Deficit) at beginning of the period	666,039	(3,601,230)
Surplus at the end of the period	7,300,877	666,039

The accompanying notes and schedules are an integral part of these financial statements.

Comparative data for the 12 months ending December 31, 1996 are presented in Schedule II.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1997****1. Authority, objective and responsibilities**

The Canada Employment Insurance Commission, a departmental corporation named in Schedule II to the *Financial Administration Act*, administers the *Employment Insurance Act* (the Act). The objective of the Act is to provide short-term financial relief and other assistance to eligible workers. The financial transactions relating to this objective are reported through the Employment Insurance Account.

The Employment Insurance Account was established in the accounts of Canada by the Act. All amounts received under the Act are deposited in the Consolidated Revenue Fund and credited to the Account. The benefits and the costs of administration of the Act are paid out of the Consolidated Revenue Fund and charged to the Account.

The Minister of National Revenue is responsible for collecting premiums from employers and employees, and for administering and enforcing the provisions of the Act relating to benefit repayments to be received from higher income claimants.

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1997—Continued

The *Employment Insurance Act*, which came into effect in July 1996, authorizes the Government of Canada to enter into labour market development agreements with each province and territory on the design and delivery of the new active employment benefits and support measures contained in the Act. To date, eight agreements have been concluded: Alberta and New Brunswick in December 1996; Newfoundland in March 1997; Manitoba, Quebec, Nova Scotia, British Columbia and Prince Edward Island in April 1997.

Responsibility sharing varies from one agreement to the other. In some cases, the provinces have full responsibility for delivering the active employment benefits and support measures; in others, the agreement provides for a co-managing approach with the federal government. The implementation of most of these agreements will be completed during the 1997-98 fiscal year. The Government of Canada is continuing to negotiate labour market development agreements with the remaining provinces and territories.

2. Accounting policies

All financial transactions affecting the Employment Insurance Account are governed by the Act and/or the Regulations.

a) Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting.

b) Premiums

Premiums are based on an estimate of the amount to be collected that relates to the period and include adjustments between actual and estimated premiums of previous years.

c) Benefits

Benefits represent the amounts to be paid to claimants for the period of unemployment during the financial reporting period, less benefit overpayments established by the Commission during the period, and estimated benefit repayments to be received from higher income claimants.

d) Administration costs

The costs of administration of the Act are based on an estimate of costs incurred by the Commission during the period for administering the Employment Insurance Account.

e) Financial instruments

The carrying value of the financial assets and liabilities of the Account approximate their fair value at year end.

3. Due from claimants

	March 31, 1997	December 31, 1995
	(in thousands of dollars)	
Balance of benefit overpayments and penalties	590,857	573,821
Less: allowance for doubtful debts	261,748	235,682
	329,109	338,139
Estimated benefit repayments to be received from higher income claimants	104,629	23,138
	433,738	361,277

Uncollectable benefit overpayments and penalties written off in the 15 month period ending March 31, 1997 amounted to \$47 million (\$40 million for the 12 months ending December 31, 1995).

Continuous efforts have been made by the Commission in detecting overpayments on claims processed during the current and preceding years and, where necessary, imposing penalties. For the 15 months ending March 31, 1997, overpayments and penalties totalling \$496 million (\$432 million for the 12 months ending December 31, 1995) were established. During the 15 month period, \$438 million have been recovered (\$348 million for the 12 months ending December 31, 1995).

4. Amounts payable

	March 31, 1997	December 31, 1995
	(in thousands of dollars)	
To Canada		
Administration costs	52,426	131,818
Employment benefits and support measures	304,223	115,612
Tax deductions from warrants ...	26,002	9,081
Recoupments from warrants	3,241	2,129
	385,892	258,640
To provinces		
Recoupments from warrants	2,595	2,947
Quebec tax deductions from warrants	4,581	1,719
	7,176	4,666
	393,068	263,306

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1997—Continued

5. Premiums

Premiums are based on an estimate of insurable earnings for 1996 and 1997. Calculation of insurable earnings is based on a formula using many factors such as previous year's total insurable earnings, the growth in the number of paid workers and in the average weekly earnings. Although the Commission uses the most recent data and statistics in the calculation, a variation in the estimated insurable earnings may happen. For example, in 1996, a variation of one percentage point in insurable earnings would result in a change of \$195 million in premiums.

Actual amounts for insurable earnings and premiums for 1996 and 1997 will be known only when Revenue Canada has processed all employer declarations of premiums for these years. An adjustment for the variation between actual and estimated premiums will then be recorded in the accounts. The adjustment recorded in 1996 for the previous years amounted to \$143 million (\$358 million in 1995).

Premium rates for each \$100 of insurable earning were as follows:

	1997	1996	1995
	(in dollars)		
For employees	2.90	2.95	3.00
For employers (calculated at 1.4 times the employee rate).....	4.06	4.13	4.20

Qualified Wage Loss Insurance Plans

Employers with qualified wage loss insurance plans are entitled to premium reductions. They are required to share this reduction with their employees. For 1996, the total amount of reductions is estimated at \$515 million. Actual reductions for the year ending December 31, 1995 were \$532 million.

6. Interest on the balance of the account with Receiver General for Canada

Pursuant to Section 76 of the Act, the Minister of Finance may authorize the payment of interest on the balance in the Employment Insurance Account in accordance with such terms and conditions and at such rates as the Minister of Finance may establish. The interest shall be credited to the Account and charged to the Consolidated Revenue Fund.

The interest on the daily operating balance is calculated daily, but is credited to the Account on the first day of the following month. The interest rate on the operating balance is equal to ninety percent of the monthly average of tender rates for three-month Treasury Bills for the same month. The interest rates varied from 2.55 percent to 4.88 percent during the period.

7. Estimated overpayments and underpayments of benefits

The large number of claimants to be monitored and the need for prompt service require a selective rather than universal application of internal control procedures. Therefore, the verification of claims is mainly done after claimants have begun to receive benefits.

In order to measure the effectiveness of the benefit payment process, the Commission has a program in place which estimates, through statistical extrapolation, the most likely value of incorrect benefit payouts. For benefits paid during the 12 months ending December 31, 1996, these undetected overpayments and underpayments are estimated to be \$334 million and \$125 million respectively (\$389 million and \$164 million in 1995). At the time of preparing these statements, information for the first three months of 1997 was not readily available. These estimates are used by the Commission to assess the quality of decisions and the need, if any, to improve its systems and practices of processing claims.

As indicated in Note 3, continuous efforts are made by the Commission to detect, establish and recover overpayments. There is not a direct link between these detection activities and the estimating techniques referred to above.

8. Administration costs

	March 31, 1997 (15 months)	December 31, 1995 (12 months)
	(in thousands of dollars)	
Administration costs by activity		
Employment Insurance	736,832	546,813
Human Resources		
Investment	342,201	278,986
Corporate management and services	290,593	236,982
HRCC management and joint services	265,506	218,228
Systems	51,067	32,682
Policy and communications	32,432	24,458
	1,718,631	1,338,149
Less: recovery of costs for maintaining the social insurance number registry and issuing replacement cards	6,061	7,068
	1,712,570	1,331,081

Administration costs—related party transactions

The administration costs include \$145 million for the 15 months ending March 31, 1997 (\$105 million for the 12 months ending December 31, 1995) charged by Public Works and Government Services Canada for accommodation and rental costs and \$115 million for the 15 months ending March 31, 1997 (\$73 million in 1995) by Revenue Canada for collecting premiums from employers and employees.

Employment Insurance Account—Continued

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1997—Concluded

In addition to those related party transactions disclosed elsewhere in these financial statements, the Account is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies and Crown corporations. The Account enters into transactions with these entities in the normal course of business.

9. Financial statement presentation

The Employment Insurance Account is a component of the Government of Canada reporting entity. In this context, its operations are consolidated with those of the Government and are presented in the financial statements of the Government of Canada. The financial statements of the Employment Insurance Account are also presented in Volume 1 of the *Public Accounts of Canada*.

In order to be more consistent with the policy and decision-making framework of the Government of Canada, the Employment Insurance Account has, in accordance with section 32 of the *Department of Human Resources Development Act*, changed the financial year end from December 31 to March 31. Accordingly, these financial statements have been prepared for fifteen months covering the period January 1, 1996 to March 31, 1997. For comparison of the Statement of Operations and Surplus, see Schedule II.

It is management's opinion that a statement of changes in financial position for the Account is not necessary since information concerning operational activities, and their effects on cash resources, are readily apparent in the Statement of Operations and Surplus. The Account is not involved in any financing or investment activities.

Employment Insurance Account—Continued

SCHEDULE I
BENEFITS AND SUPPORT MEASURES
FOR THE 15 MONTHS ENDING MARCH 31, 1997
(in thousands of dollars)

	March 31, 1997 (15 months)	December 31, 1995 (12 months)
Part I—Unemployment benefits		
Regular	12,283,942	9,708,647
Fishing	307,155	228,615
Worksharing	19,557	14,398
	12,610,654	9,951,660
Special benefits		
Maternity	901,016	765,025
Parental	576,742	473,459
Sickness	526,307	430,140
Adoption	7,248	5,812
	2,011,313	1,674,436
	14,621,967	11,626,096
Part II—Employment benefits and support measures		
Employment benefits		
Training/skills loans and grants	1,541,295	1,560,195
Self-employment	227,532	194,475
Job creation partnerships	143,576	147,640
Targeted wage subsidies	17,473	
Targeted earnings supplements	2	
	1,929,878	1,902,310
Support measures		
Employment assistance services	96,156	
Labour market partnerships	45,644	
Research and innovation	11,693	
	153,493	
	2,083,371	1,902,310
Benefits and support measures	16,705,338	13,528,406
Less: benefit repayments by		
higher income claimants	102,944	23,420
	16,602,394	13,504,986

For comparative purposes, certain figures for types of benefits for the year ending December 31, 1995 have been reclassified to conform to the presentation adopted for the period ending March 31, 1997.

Benefit Rates

From July 1, 1996 to March 31, 1997, benefits paid represented the lesser of 55 percent of average insurable earnings, or \$413 per week. However, as of January 5, 1997, claimants that have collected more than 20 weeks of regular benefits in the past five years, since June 30, 1996, will see the benefit rate for their new claim reduced. The benefit rate can be increased to a maximum of 65 percent in 1997 for claimants who are in a low income family with children.

From January 1 to June 30, 1996, benefits paid represented the lesser of 55 percent of average insurable earnings, or \$465 per week (\$448 per week in 1995). From January 1 to December 31, 1996, for claimants who had low average insurable earnings and dependants, the rate was 60 percent.

Employment Insurance Account—Concluded

SCHEDULE II
 STATEMENT OF OPERATIONS AND SURPLUS
 FOR COMPARATIVE PURPOSES
 (in thousands of dollars)

	March 31, 1997 (15 months)	December 31, 1996 (12 months)	December 31, 1995 (12 months)
Revenue			
Premiums	24,815,170	19,091,170	19,179,892
Interest on the balance of the account with Receiver General for Canada	119,447	77,714	27,621
Penalties	88,223	74,212	83,446
	25,022,840	19,243,096	19,290,959
Expenses			
Benefits and support measures	16,602,394	12,806,137	13,504,986
Administration costs	1,712,570	1,368,669	1,331,081
Doubtful debts	73,038	69,062	77,952
Interest on advances from Canada			109,671
	18,388,002	14,243,868	15,023,690
Surplus for the period	6,634,838	4,999,228	4,267,269
Surplus (Deficit) at beginning of the period	666,039	666,039	(3,601,230)
Surplus at the end of the period	7,300,877	5,665,267	666,039

SECTION 5

1996-97

PUBLIC ACCOUNTS OF CANADA

Current Liabilities

CONTENTS

	<i>Page</i>
Accounts payable and accrued liabilities	5.4
Interest and matured debt	5.10
Allowance for employee benefits	5.10
Allowance for loan guarantees and borrowings of Crown corporations	5.11

CURRENT LIABILITIES

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Current Liabilities". The establishment and operation of these accounts is authorized by Parliament in annual appropriation acts and other legislation. In many cases, these accounts represent current liabilities set up at year end under the authority granted to the President of the Treasury Board in the *Financial Administration Act*.

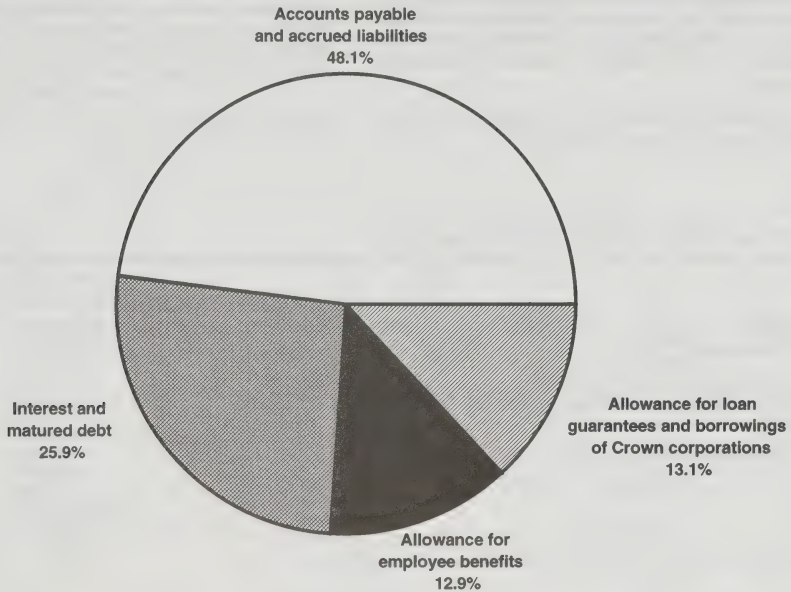
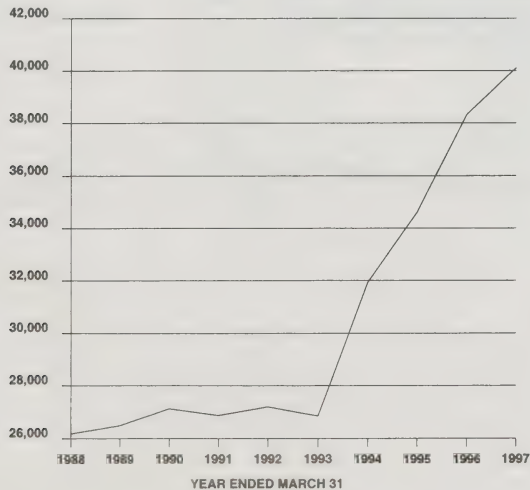
Table 5.1 presents the year-end balances of current liabilities by category. Chart 5A presents current liabilities by category at March 31, while Chart 5B compares current liabilities for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 5.1
CURRENT LIABILITIES

	April 1/1996	March 31/1997
	\$	\$
Accounts payable and accrued liabilities, Table 5.2	21,180,635,027	19,265,248,238
Interest and matured debt, Table 5.5	7,402,530,392	10,402,405,666
Allowance for employee benefits	4,110,000,000	5,000,000,000
Add: consolidation adjustment ⁽¹⁾	180,000,000	180,000,000
	4,290,000,000	5,180,000,000
Allowance for loan guarantees and borrowings of Crown corporations, Table 5.6	5,440,000,000	5,253,000,000
Total	38,313,165,419	40,100,653,904

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

CHART 5A**CURRENT LIABILITIES BY CATEGORY AS AT MARCH 31, 1997****CHART 5B****CURRENT LIABILITIES**
(in millions of dollars)

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities includes accounts payable, notes payable to international organizations, the provincial and territorial tax collection agreements account, miscellaneous payroll deductions, deferred revenues, borrowings of consolidated Crown corporations, suspense accounts and other accounts.

Table 5.2 presents a summary of the balances for the accounts in this category of current liabilities.

TABLE 5.2
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 1/1996	March 31/1997
	\$	\$
Accounts payable	16,464,451,788	14,445,656,086
Add: consolidation adjustment ⁽¹⁾	1,036,401,348	996,260,000
	<i>17,500,853,136</i>	<i>15,441,916,086</i>
Notes payable to international organizations, Table 5.3	1,904,534,118	1,793,139,936
Provincial and territorial tax collection agreements account, Table 5.4	1,372,445,746	1,726,001,559
Miscellaneous payroll deductions	58,067,144	8,888,154
Deferred revenues	310,197,613	231,613,947
Borrowings of consolidated Crown corporations ⁽¹⁾	13,874,000	3,581,000
Suspense accounts	20,302,714	59,481,691
Other	360,556	625,865
Total	21,180,635,027	19,265,248,238

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Accounts payable

This account records amounts owing at the year end pursuant to contractual arrangements, or for work performed, goods received, or services rendered, relating to appropriations on which Parliament has imposed annual ceilings, accrued amounts to be paid from appropriations and statutory authorities, and accrued financial obligations of consolidated Crown corporations.

Notes payable to international organizations

Share capital subscriptions, and loans and advances are made to international organizations using cash and/or notes payable that are later presented for encashment according to terms of agreements. These demand notes are non-interest bearing and are non-negotiable. The subscriptions, loans and advances are recorded as assets and details are reported in Table 9.13 (Section 9 of this volume).

Table 5.3 presents the balances and transactions for the individual notes.

TABLE 5.3
NOTES PAYABLE TO INTERNATIONAL ORGANIZATIONS

	April 1/1996	Receipts and other credits		Payments and other charges		March 31/1997
		Note issuances	Revaluation ⁽¹⁾	Note encashments	Revaluation ⁽¹⁾	
	\$	\$	\$	\$	\$	\$
Finance—						
European Bank for Reconstruction and Development	16,178,049		176,569	10,861,549		5,493,069
Multilateral Investment Guarantee Agency	4,360,169		81,166			4,441,335
Global Environment Facility	1,000,000			1,000,000 ⁽²⁾		
International Development Association	865,816,000	216,370,000		211,140,000 ⁽²⁾		871,046,000
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
Asian Development Bank	4,552,212	4,584,366	137,327			9,273,905
Caribbean Development Bank	5,982,521		52,876	1,058,410 ⁽³⁾		4,976,987
Inter-American Development Bank	14,859,050	5,544,122	276,576	4,942,911		15,736,837
International financial institutions—						
African Development Fund	413,434,010	40,656,199		90,824,012		363,266,197
Asian Development Fund	434,244,900			51,000,000		383,244,900
Caribbean Development Bank—Special	32,633,819					32,633,819
Global Environment Facility Trust Fund	67,900,000					67,900,000
Inter-American Development Bank—Fund for Special Operations	5,700,193	5,700,193		2,217,897		9,182,489
Multilateral Investment Fund	11,388,294			11,388,294		
International Fund for Agriculture Development	26,484,901			540,503		25,944,398
Montreal Protocol Fund		5,633,153		5,633,153		
	991,786,117	51,989,545		161,603,859		882,171,803
Total	1,904,534,118	278,488,033	724,514	390,606,729		1,793,139,936

⁽¹⁾ Notes denominated in foreign currencies are translated into Canadian dollars at the year-end closing rate of exchange.

⁽²⁾ This amount includes an adjustment of \$12,140,000 to reduce and cancel a note dated November 30, 1989. The adjustment represents the amount of investment income credited to Canada against an advance encashment made on March 30, 1990 and March 31, 1995.

⁽³⁾ An adjustment was made to previous notes.

Provincial and territorial tax collection agreements account

This account records income taxes collected by the Government of Canada on behalf of provinces and territories pursuant to the *Federal-Provincial Fiscal Arrangements Act*, and related payments made to them.

Under the *Federal-Provincial Fiscal Arrangements Act*, the Government of Canada is empowered to enter into agreements with provincial and territorial governments, to collect income taxes on their behalf, and to make payments to them with respect to such taxes.

The Government of Canada entered into agreements with provinces and territories (excluding Quebec), to collect individual income tax, and, with provinces and territories (excluding Quebec, Ontario and Alberta except for the tax on preferred shares dividend), to collect corporation income tax, and, to pay in equal monthly instalments to such provinces and territories, the estimated revenues to be produced by the respective provincial and territorial taxes.

Because the *Public Accounts of Canada* reports information on a April to March fiscal year basis and because tax information is calculated on a calendar year basis, there can be transactions related to several tax years during any given fiscal year. For example, during a fiscal year the Minister of Finance makes current payments, based on estimates, for two calendar years (April to December and January to March). During this period, it is also necessary to make payments or adjustments related to final determinations of tax revenues, rebates and credits for previous tax years.

Table 5.4 presents detailed information of the transactions, accumulated balances and the net position of the revenues collected and the payments made to the provinces and territories on a tax year basis for both corporation and personal income taxes.

TABLE 5.4
PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Personal income taxes collected by National Revenue for 1993	26,145,160,979		9,491,796	26,135,669,183
Less: payments to provinces and territories—				
Newfoundland	499,740,450			499,740,450
Prince Edward Island	107,749,593			107,749,593
Nova Scotia	905,156,370			905,156,370
New Brunswick	688,556,296			688,556,296
Ontario	14,428,877,881			14,428,877,881
Manitoba	1,088,670,036			1,088,670,036
Saskatchewan	1,061,836,044			1,061,836,044
Alberta	2,891,617,488			2,891,617,488
British Columbia	4,383,100,452			4,383,100,452
Yukon	29,294,731			29,294,731
Northwest Territories	65,479,692			65,479,692
	26,150,079,033			26,150,079,033
Net collections (overpayments) of personal income taxes for 1993	(4,918,054)		9,491,796	(14,409,850)
Personal income taxes collected by National Revenue for 1994	27,202,332,240		9,637,599	27,192,694,641
Less: payments to provinces and territories—				
Newfoundland	518,119,207			518,119,207
Prince Edward Island	111,999,370			111,999,370
Nova Scotia	907,544,001			907,544,001
New Brunswick	735,708,010			735,708,010
Ontario	14,938,222,817			14,938,222,817
Manitoba	1,148,404,078			1,148,404,078
Saskatchewan	1,128,473,132			1,128,473,132
Alberta	2,992,001,738			2,992,001,738
British Columbia	4,633,047,786			4,633,047,786
Yukon	29,747,070			29,747,070
Northwest Territories	59,066,020	4,918,058		54,147,962
	27,202,333,229	4,918,058		27,197,415,171
Net collections (overpayments) of personal income taxes for 1994	(989)	4,918,058	9,637,599	(4,720,530)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Personal income taxes collected by National				
Revenue for 1995	29,795,781,352	347,698,580	919,454,957	29,224,024,975
Less: payments to provinces and territories—				
Newfoundland	545,287,000		17,517,968	562,804,968
Prince Edward Island	119,265,000		944,760	120,209,760
Nova Scotia	935,089,000		249,399	935,338,399
New Brunswick	781,791,000		602,181	782,393,181
Ontario	16,873,369,000	831,577,530		16,041,791,470
Manitoba	1,325,342,000	89,298,464		1,236,043,536
Saskatchewan	1,148,534,000		38,527,340	1,187,061,340
Alberta	3,177,995,000		36,444,434	3,214,439,434
British Columbia	4,973,394,000		76,987,139	5,050,381,139
Yukon	31,327,000		2,640,043	33,967,043
Northwest Territories	71,595,000	12,001,436	59,593,564	
	29,982,988,000	932,877,430	173,913,264	29,224,023,834
Net collections (overpayments) of personal income taxes for 1995	(187,206,648)	1,280,576,010	1,093,368,221	1,141
Personal income taxes collected by National				
Revenue for 1996	5,425,213,436	26,292,414,000	414,222,000	31,303,405,436
Less: payments to provinces and territories—				
Newfoundland	84,210,000		508,428,000	592,638,000
Prince Edward Island	18,494,000		109,336,000	127,830,000
Nova Scotia	144,543,000		836,203,000	980,746,000
New Brunswick	120,281,000		702,821,000	823,102,000
Ontario	2,607,976,000		14,794,466,000	17,402,442,000
Manitoba	204,036,000		1,194,521,000	1,398,557,000
Saskatchewan	175,322,000		1,051,515,000	1,226,837,000
Alberta	486,703,000		2,870,636,000	3,357,339,000
British Columbia	769,356,000	253,432,414	4,854,152,339	5,370,075,925
Yukon	4,802,000		30,394,000	35,196,000
Northwest Territories	11,312,000		61,317,000	72,629,000
	4,627,035,000	253,432,414	27,013,789,339	31,387,391,925
Net collections (overpayments) of personal income taxes for 1996	798,178,436	26,545,846,414	27,428,011,339	(83,986,489)
Personal income taxes collected by National				
Revenue for 1997		5,527,915,000		5,527,915,000
Less: payments to provinces and territories—				
Newfoundland			91,868,000	91,868,000
Prince Edward Island			19,712,000	19,712,000
Nova Scotia			148,022,000	148,022,000
New Brunswick			121,716,000	121,716,000
Ontario			2,401,917,000	2,401,917,000
Manitoba			216,699,000	216,699,000
Saskatchewan			187,271,000	187,271,000
Alberta			519,008,000	519,008,000
British Columbia			814,219,000	814,219,000
Yukon			5,509,000	5,509,000
Northwest Territories			11,459,000	11,459,000
			4,537,400,000	4,537,400,000
Net collections (overpayments) of personal income taxes for 1997		5,527,915,000	4,537,400,000	990,515,000
Total personal income taxes on hand	606,052,745	33,359,255,482	33,077,908,955	887,399,272

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—Continued

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1993	1,476,035,380		40,000	1,475,995,380
Less: payments to provinces and territories—				
Newfoundland	43,417,966			43,417,966
Prince Edward Island	15,587,447			15,587,447
Nova Scotia	97,442,653			97,442,653
New Brunswick	139,012,155			139,012,155
Quebec	22,061,665			22,061,665
Ontario	68,222,516			68,222,516
Manitoba	126,397,504			126,397,504
Saskatchewan	115,137,124			115,137,124
Alberta	12,627,257			12,627,257
British Columbia	800,683,512			800,683,512
Yukon	10,016,862			10,016,862
Northwest Territories	25,428,719			25,428,719
	1,476,035,380			1,476,035,380
Net collections (overpayments) of corporation income taxes for 1993			40,000	(40,000)
Corporation income taxes collected by National				
Revenue for 1994	1,769,227,042		40,000	1,769,187,042
Less: payments to provinces and territories—				
Newfoundland	61,559,537			61,559,537
Prince Edward Island	15,822,936			15,822,936
Nova Scotia	82,223,546			82,223,546
New Brunswick	106,814,756			106,814,756
Quebec	24,723,743			24,723,743
Ontario	73,260,410			73,260,410
Manitoba	166,367,531			166,367,531
Saskatchewan	188,042,850			188,042,850
Alberta	14,439,483	729,518		13,709,965
British Columbia	1,002,857,279			1,002,857,279
Yukon	7,983,642			7,983,642
Northwest Territories	25,131,276			25,131,276
	1,769,226,989	729,518		1,768,497,471
Net collections (overpayments) of corporation income taxes for 1994	53	729,518	40,000	689,571
Corporation income taxes collected by National				
Revenue for 1995	1,904,605,569	273,520,314	40,000	2,178,085,883
Less: payments to provinces and territories—				
Newfoundland	50,421,000		12,101,673	62,522,673
Prince Edward Island	18,385,000		187,471	18,572,471
Nova Scotia	103,923,000		29,379,557	133,302,557
New Brunswick	105,802,000		104,502,631	210,304,631
Quebec			19,486,657	19,486,657
Ontario			60,192,996	60,192,996
Manitoba	182,170,000		19,302,046	201,472,046
Saskatchewan	195,517,000		32,975,496	228,492,496
Alberta			9,686,773	9,686,773
British Columbia	1,022,433,000		173,318,282	1,195,751,282
Yukon	13,139,000	2,697,708	107,746	10,549,038
Northwest Territories	34,242,000	465,506		33,776,494
	1,726,032,000	3,163,214	461,241,328	2,184,110,114
Net collections (overpayments) of corporation income taxes for 1995	178,573,569	276,683,528	461,281,328	(6,024,231)

TABLE 5.4

PROVINCIAL AND TERRITORIAL TAX COLLECTION AGREEMENTS ACCOUNT—*Concluded*

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Corporation income taxes collected by National				
Revenue for 1996	746,383,379	1,491,499,568		2,237,882,947
Less: payments to provinces and territories—				
Newfoundland	4,170,000		47,257,000	51,427,000
Prince Edward Island	1,680,000		18,524,000	20,204,000
Nova Scotia	8,870,000		91,824,000	100,694,000
New Brunswick	10,538,000		116,103,000	126,641,000
Manitoba	17,780,000		216,140,000	233,920,000
Saskatchewan	15,738,000		186,780,000	202,518,000
British Columbia	96,234,000		1,083,949,000	1,180,183,000
Yukon	1,036,000		11,479,000	12,515,000
Northwest Territories	2,518,000		27,982,000	30,500,000
	158,564,000		1,800,038,000	1,958,602,000
Net collections (overpayments) of corporation income taxes for 1996	587,819,379	1,491,499,568	1,800,038,000	279,280,947
Corporation income taxes collected by National				
Revenue for 1997		729,870,000		729,870,000
Less: payments to provinces and territories—				
Newfoundland			4,760,000	4,760,000
Prince Edward Island			1,740,000	1,740,000
Nova Scotia			10,836,000	10,836,000
New Brunswick			15,960,000	15,960,000
Manitoba			16,878,000	16,878,000
Saskatchewan			18,008,000	18,008,000
British Columbia			93,492,000	93,492,000
Yukon			726,000	726,000
Northwest Territories			2,774,000	2,774,000
			165,174,000	165,174,000
Net collections (overpayments) of corporation income taxes for 1997		729,870,000	165,174,000	564,696,000
Total corporation income taxes on hand	766,393,001	2,498,782,614	2,426,573,328	838,602,287
Total	1,372,445,746	35,858,038,096	35,504,482,283	1,726,001,559

Miscellaneous payroll deductions

Deductions from the salaries and wages of certain employees are credited to this account pending transmittal to related outside organizations.

Deferred revenues

This account records non-tax revenues received before the end of the current fiscal year for which the goods or services are to be delivered or rendered in a subsequent fiscal year.

Borrowings of consolidated Crown corporations

This account records the unconditional obligations of the Government for the consolidated Crown corporations.

Suspense accounts

Accounts in which transactions are recorded temporarily, pending their ultimate disposition.

Other

Miscellaneous accounts payable and accrued liabilities such as provincial sales tax collected on sales are recorded in this account.

Interest and Matured Debt

Interest and matured debt includes interest due, interest accrued, matured debt, and unamortized premiums, discounts and commissions on unmatured debt.

Table 5.5 presents a summary of the balances for the accounts in this category of current liabilities.

TABLE 5.5
INTEREST AND MATURED DEBT

	April 1/1996	March 31/1997
	\$	\$
Interest due	4,219,115,320	4,888,213,630
Interest accrued	6,604,662,561	7,025,433,668
Matured debt	135,476,983	109,443,770
	10,959,254,864	12,023,091,068
Less: unamortized discounts on Canada bills	76,360,069	67,562,820
unamortized discounts on Treasury bills	2,886,176,549	1,518,592,652
unamortized discounts and premiums on marketable bonds	531,610,865	(27,081,663)
unamortized commissions on Canada savings bonds	62,576,989	61,611,593
	3,556,724,472	1,620,685,402
Total	7,402,530,392	10,402,405,666

Interest due

Interest due is the interest on the bonded debt, which is due and payable but has not been redeemed by bond holders.

Interest accrued

Interest accrued is the interest accumulated as at March 31 on the bonded debt and certain other liabilities, that is not payable until a future date.

Matured debt

This account records financial obligations represented by certificates of indebtedness issued by the Government, that have become due but that have not been presented for redemption. Unclaimed matured bonds are transferred to non-tax revenues if they remain unredeemed 15 years after the date of call or maturity, whichever is earlier; the minimum time before such a transfer is made is 5 years from the date of maturity.

Unamortized discounts on Canada bills

This account records the portion of the discounts on outstanding Canada bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

Unamortized discounts on Treasury bills

This account records the portion of the discounts on outstanding Treasury bills which has not yet been charged to expenditures. Discounts are amortized to expenditures over the life of the bills.

Unamortized discounts and premiums on marketable bonds

This account records the portion of the discounts and premiums on outstanding marketable bonds which has not yet been charged to expenditures. Discounts and premiums are amortized to expenditures over the life of the bonds.

Unamortized commissions on Canada savings bonds

This account records the portion of the commissions on outstanding Canada savings bonds which has not yet been charged to expenditures. Commissions are amortized to expenditures over the life of the bonds.

Allowance for Employee Benefits

This account records allowances for amounts owing for earned and unpaid annual vacation leave and compensation time, for employee benefits payable upon termination of employment and for unsigned pay adjustments.

Allowance for Loan Guarantees and Borrowings of Crown Corporations

This category of current liabilities includes the allowance for loan guarantees and the allowance for borrowings of Crown corporations.

Table 5.6 presents a summary of the balances for the accounts in this category of current liabilities.

TABLE 5.6
ALLOWANCE FOR LOAN GUARANTEES AND BORROWINGS OF CROWN CORPORATIONS

	April 1/1996	March 31/1997
	\$	\$
Allowance for loan guarantees	1,250,000,000	1,273,000,000
Allowance for borrowings of Crown corporations—		
Borrowings of agent enterprise Crown corporations	25,370,185,000	28,115,270,000
Less: borrowings expected to be repaid by these enterprise Crown corporations	21,180,185,000	24,135,270,000
	<i>4,190,000,000</i>	<i>3,980,000,000</i>
Total	5,440,000,000	5,253,000,000

Allowance for loan guarantees

This account records potential losses on loan guarantees when it is likely that a payment will be made in the future to honour a guarantee and when the amount of the loss can be reasonably estimated.

Allowance for borrowings of Crown corporations

In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent enterprise Crown corporations, and interest thereon, is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute unconditional obligations of the Government.

This account reports the borrowings of agent enterprise Crown corporations expected to be repaid by the Government (see Table 9.6 in Section 9 of this volume).

SECTION 6

1996-97

PUBLIC ACCOUNTS OF CANADA

Interest-Bearing Debt

CONTENTS

	<i>Page</i>
Unmatured debt—	
Marketable bonds	6.4
Treasury bills	6.9
Canada savings bonds	6.10
Bonds for Canada Pension Plan	6.11
Canada bills	6.12
Canada notes	6.13
Interest rates	6.15
Maturity of Government debt	6.16
Statement of all borrowing transactions on behalf of Her Majesty	6.16
Pension and other accounts—	
Public sector pensions	6.17
Canada Pension Plan	6.26
Other—	
Government Annuities Account	6.27
Confederation Bridge	6.27
Deposit and trust accounts	6.28
Other specified purpose accounts	6.33
Supplementary statements—	
Canada Pension Plan Account and the Canada Pension Plan Investment Fund	6.46
Government Annuities Account	6.54
Royal Canadian Mounted Police (Dependants) Pension Plan	6.55

INTEREST-BEARING DEBT

This section contains information on the interest-bearing debt of the Government. Interest-bearing debt includes the unmatured debt and pension and other accounts.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as receipts and other credits, and payments and other charges.

Table 6.1 presents the transactions and year-end balances of interest-bearing debt. Chart 6A presents interest-bearing debt by category for the current fiscal year, while Chart 6B compares interest-bearing debt for the last ten fiscal years.

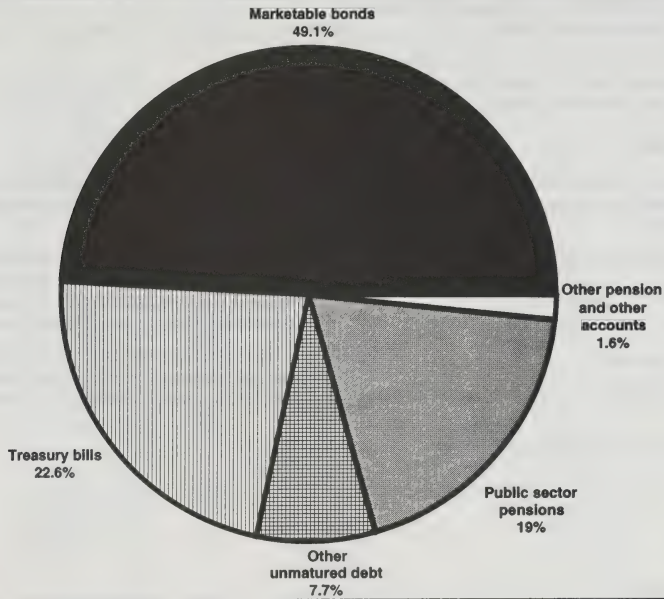
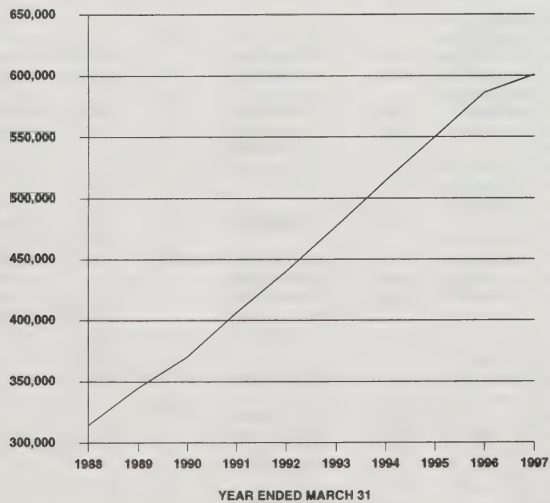
The financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund, the Government Annuities Account and the Royal Canadian Mounted Police (Dependants) Pension Fund, together with the Auditor General's reports thereon, are presented at the end of this section.

A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 6.1
INTEREST-BEARING DEBT

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Unmatured debt⁽¹⁾—				
Payable in Canadian currency—				
Marketable bonds, Table 6.2	252,699,943,987	55,852,969,728	26,055,000,000	282,497,913,715
Treasury bills, Table 6.3	166,100,000,000	316,150,000,000	346,850,000,000	135,400,000,000
Canada savings bonds, Table 6.4	30,459,931,529	5,794,954,401	3,784,465,907	32,470,420,023
Bonds for Canada Pension Plan, Table 6.5	3,478,234,000	1,207,254,000	1,217,905,000	3,467,583,000
	452,738,109,516	379,005,178,129	377,907,370,907	453,835,916,738
Payable in foreign currencies—				
Marketable bonds, Table 6.2	9,513,700,000	2,945,900,000		12,459,600,000
Canada bills, Table 6.6	6,985,549,748	31,902,442,001	30,452,356,625	8,435,635,124
Canada notes, Table 6.7	310,078,665	1,957,812,595	146,782,800	2,121,108,460
	16,809,328,413	36,806,154,596	30,599,139,425	23,016,343,584
Total—Unmatured debt	469,547,437,929	415,811,332,725	408,506,510,332	476,852,260,322
Pension and other accounts—				
Public sector pensions, Table 6.12—				
Superannuation accounts	110,375,950,212	13,961,566,666	5,211,081,053	119,126,435,825
Allowance for pension adjustments	(2,494,000,000)	399,000,000	2,827,000,000	(4,922,000,000)
	107,881,950,212	14,360,566,666	8,038,081,053	114,204,435,825
Canada Pension Plan, Table 6.21—				
Canada Pension Plan Account	39,167,494,886	15,508,665,621	16,917,161,406	37,758,999,101
Less: securities held by the Canada Pension Plan Investment Fund	35,530,897,000	1,490,212,000		34,040,685,000
	3,636,597,886	16,998,877,621	16,917,161,406	3,718,314,101
Other—				
Government Annuities Account	651,742,382	42,794,832	84,876,264	609,660,950
Confederation Bridge	772,838,000	49,853,000		822,691,000
Deposit and trust accounts, Table 6.23	1,270,925,919	894,847,116	903,542,065	1,262,230,970
Other specified purpose accounts, Table 6.26	2,625,909,772	1,442,750,443	981,525,453	3,087,134,762
	5,321,416,073	2,430,245,391	1,969,943,782	5,781,717,682
Total—Pension and other accounts	116,839,964,171	33,789,689,678	26,925,186,241	123,704,467,608
Total	586,387,402,100	449,601,022,403	435,431,696,573	600,556,727,930

⁽¹⁾ This table includes unmatured debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmatured debt, can be found in Table 6.11.

CHART 6A**INTEREST-BEARING DEBT BY CATEGORY AS AT MARCH 31, 1997****CHART 6B****INTEREST-BEARING DEBT**
(in millions of dollars)

UNMATURED DEBT

Unmatured debt represents financial obligations resulting from certificates of indebtedness issued by the Government of Canada that have not yet become due.

The Government's holdings of its own securities have been deducted from unmatured debt, to report the amount of the Government's liabilities to outside parties.

Marketable Bonds

Marketable bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- bought and sold on the open market;
- payable in Canadian or foreign currency;
- subject to call or redemption before maturity;
- fixed dates of maturity;
- interest payable either in coupon or registered form; and,
- face value guaranteed at maturity.

Registered marketable bonds are transferable by endorsement and delivery by one holder to another. Bearer marketable bonds need not be endorsed.

Table 6.2 presents a summary of the balances and transactions for marketable bonds. Since most of the marketable bonds are not subject to call or redemption before maturity, exceptions only are noted in the table.

The year-end balances of marketable bonds payable in foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1997.

TABLE 6.2
MARKETABLE BONDS

Maturity date	%	Issue date	Series	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
Payable in Canadian currency—							
Matured 1996-97							
1996—May 1	9.25	Apr 10/86-June 1/87					
		July 1/87-Mar 31/88					
		July 27/89-Aug 31/89	H80	3,300,000,000		3,300,000,000	
June 1	8.75	Apr 28/86-May 22/86					
		July 24/86-Oct 1/86					
		Dec 15/86-May 1/87	H84	2,175,000,000		2,175,000,000	
Aug 1	6.5	Apr 13/93-July 13/93	A59	3,800,000,000		3,800,000,000	
Sept 15	3	Sept 15/36	P1	55,000,000		55,000,000	
Sept 15	7.75	June 15/94-Sept 15/94	A74	5,100,000,000		5,100,000,000	
Oct 1	9.25	May 1/91-June 20/91					
		July 1/91-Sept 1/91					
		Sept 19/91	A42	3,425,000,000		3,425,000,000	
1997—Mar 1	8.25	Jan 29/87-Feb 19/87					
		Mar 15/87-Oct 31/91					
		Nov 28/91-Dec 15/91	H97	3,400,000,000		3,400,000,000	
Mar 15	8	Dec 15/94-Mar 15/95	A78	4,800,000,000		4,800,000,000	
				26,055,000,000		26,055,000,000	
Maturing 1997-98							
1997—May 15	9.25	May 15/77-July 1/77					
		Sept 1/77-Feb 1/78	J9	876,000,000			876,000,000
July 1	7.5	Feb 1/92-June 1/92					
		July 1/92	A50	4,200,000,000			4,200,000,000
Sept 15	7	June 15/95-Sept 15/95	A82	5,400,000,000			5,400,000,000
Oct 1	9.75	Aug 13/87-Sept 1/87					
		Nov 15/87-Feb 1/88					
		May 12/88-Jan 4/90					
		Feb 21/91	A8	2,775,000,000			2,775,000,000

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
1998—Feb 1	6.25	Sept 1/92-Oct 15/92					
		Dec 1/92-Mar 5/93	A56	6,600,000,000			6,600,000,000
Mar 15	3.75	Sept 15/96	T15 ⁽²⁾	197,045,000			197,045,000
Mar 15	6	Dec 15/95-Mar 15/96	VT87	5,700,000,000			5,700,000,000
Mar 15	10.75	Oct 15/87-Mar 15/89					
		Apr 13/89-Aug 16/90	A10	2,225,000,000			2,225,000,000
				27,973,045,000			27,973,045,000
Maturing 1998-99							
1998—Sept 1	6.5	May 1/93-June 1/93					
		Sept 1/93-Oct 29/93	A60	6,800,000,000			6,800,000,000
Sept 15	6.25	June 17/96-Sept 16/96	VZ48		6,000,000,000		6,000,000,000
Oct 1	9.5	June 30/88- July 21/88					
		Nov 15/88-July 1/89					
		Aug 15/91	A17	3,100,000,000			3,100,000,000
Nov 1	8	Apr 18/95-July 17/95	A80	5,100,000,000			5,100,000,000
Dec 1	10.25	Sept 1/88-Oct 15/88					
		Dec 15/88-Jan 26/89	A18	2,275,000,000			2,275,000,000
1999—Mar 1	5.75	Dec 1/93-Dec 29/93					
		Mar 1/94	A70	6,700,000,000			6,700,000,000
Mar 15	4	Dec 16/96-Mar 17/97	WD27		6,000,000,000		6,000,000,000
				23,975,000,000	12,000,000,000		35,975,000,000
Maturing 1999-2000							
1999—Aug 1	6.5	Apr 15/96-July 17/96	VV34		5,600,000,000		5,600,000,000
Sept 1	7.75	Apr 15/94-June 1/94					
		July 4/94-Sept 1/94	A73	8,500,000,000			8,500,000,000
Oct 15	9	Oct 15/77-Dec 15/77	J13	527,500,000			527,500,000
Dec 1	13.5	Dec 1/80	J53	400,000,000			400,000,000
Dec 1	9.25	Sept 21/89-Oct 1/89					
		Nov 16/89-Dec 15/89	A27	2,825,000,000			2,825,000,000
2000—Feb 1	5.5	Oct 15/96-Jan 15/97	WC44		5,500,000,000		5,500,000,000
Mar 1	8.5	Oct 1/94-Dec 1/94					
		Mar 1/95	A77	6,500,000,000			6,500,000,000
Mar 15	13.75	Mar 31/80-Mar 1/81					
		Mar 31/81-Oct 15/82	J39	1,050,000,000			1,050,000,000
				19,802,500,000	11,100,000,000		30,902,500,000
Maturing 2000-01							
2000—May 1	9.75	Feb 1/90-Feb 15/90	A30	1,575,000,000			1,575,000,000
July 1	10.5	Mar 15/90-Mar 29/90					
		June 21/90-Aug 1/90	A32	2,900,000,000			2,900,000,000
July 1	15	July 1/81	J70	175,000,000			175,000,000
Sept 1	11.5	May 1/90-Nov 1/90	A33	1,200,000,000			1,200,000,000
Sept 1	7.5	June 1/95-July 4/95					
		Sept 1/95	A81	7,600,000,000			7,600,000,000
Dec 15	9.75	Dec 15/78	J22	500,000,000			500,000,000
2001—Feb 1	15.75	June 1/81-July 31/81	J66	425,000,000			425,000,000
Mar 1	10.5	Sept 20/90-Oct 1/90					
		Dec 15/90-Feb 1/91	A37	3,175,000,000			3,175,000,000
Mar 1	7.5	Oct 2/95-Dec 1/95					
		Jan 4/96-Mar 1/96	VR22	9,400,000,000			9,400,000,000
				26,950,000,000			26,950,000,000
Maturing 2001-02							
2001—May 1	13	May 1/80-Oct 1/80					
		Feb 1/81	J42	1,325,000,000			1,325,000,000
June 1	9.75	Feb 21/91-Mar 1/91					
		Mar 28/91-May 16/91	A40	3,550,000,000			3,550,000,000
Sept 1	7	June 3/96-July 2/96					
		Sept 3/96-Dec 2/96	VX99		10,600,000,000		10,600,000,000
Oct 1	9.5	Oct 1/76-Dec 1/76					
		Apr 1/78-May 15/78					
		July 1/78	J2	1,232,750,000			1,232,750,000
Dec 1	9.75	July 1/91-July 18/91					
		Sept 1/91-Oct 1/91	A45	3,850,000,000			3,850,000,000

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
2002—Feb 1	8.75	Feb 1/77	J7	213,000,000			213,000,000
Mar 15	15.5	Mar 31/82-May 1/82	J79	350,000,000			350,000,000
				10,520,750,000	10,600,000,000		21,120,750,000
Maturing 2002-03							
2002—Apr 1	8.5	Nov 14/91-Dec 15/91					
		Mar 1/92-May 1/92					
		July 15/92	A47	5,450,000,000			5,450,000,000
May 1	10	May 1/79-June 1/79					
		July 15/79	J25	1,850,000,000			1,850,000,000
Sept 1	5.5	Mar 3/97	WE00		2,700,000,000		2,700,000,000
Dec 15	11.25	Dec 15/79-July 1/80					
		May 15/83	J34	1,625,000,000			1,625,000,000
2003—Feb 1	11.75	Feb 1/80-June 1/80					
		Aug 1/80-Feb 1/83					
		Apr 27/83-June 21/83					
		July 12/83	J35	2,700,000,000			2,700,000,000
				11,625,000,000	2,700,000,000		14,325,000,000
Maturing 2003-04							
2003—June 1	7.25	Sept 25/92-Oct 26/92					
		Nov 20/92-Jan 18/93					
		Feb 15/93	A57	6,900,000,000			6,900,000,000
Oct 1	9.5	Aug 15/78-Oct 1/78	J18	670,500,000			670,500,000
Dec 1	7.5	May 21/93-July 1/93					
		Aug 16/93-Sept 28/93					
		Nov 15/93	A61	8,800,000,000			8,800,000,000
2004—Feb 1	10.25	Feb 1/79-Mar 15/79					
		Mar 21/79-Aug 15/79	J24	2,200,000,000			2,200,000,000
				18,570,500,000			18,570,500,000
Maturing 2004-05							
2004—June 1	13.5	Apr 1/84-May 1/84	H22	550,000,000			550,000,000
June 1	6.5	Jan 14/94-Feb 15/94					
		Apr 1/94-May 15/94	A72	7,900,000,000			7,900,000,000
Oct 1	10.5	Oct 1/79-Dec 15/87	J30	875,000,000			875,000,000
Dec 1	9	July 15/94-Aug 15/94					
		Nov 15/94-Feb 15/95	A75	7,700,000,000			7,700,000,000
2005—Mar 1	12	Oct 15/83-Nov 8/83					
		Dec 15/83-Feb 1/84					
		Feb 21/84-Dec 15/84	H9	1,775,000,000			1,775,000,000
				18,800,000,000			18,800,000,000
Maturing 2005-06							
2005—Sept 1	12.25	Aug 1/83-Sept 1/83					
		Sept 27/83-Apr 10/85	H6	1,375,000,000			1,375,000,000
Dec 1	8.75	Apr 3/95-May 15/95					
		Aug 15/95-Nov 15/95	A79	8,000,000,000			8,000,000,000
2006—Mar 1	12.5	Mar 13/84-Nov 14/84					
		Mar 19/85	H18	975,000,000			975,000,000
				10,350,000,000			10,350,000,000
Maturing 2006-07							
2006—Oct 1	14	June 1/84-July 11/84					
		Aug 1/84	H26	1,025,000,000			1,025,000,000
Dec 1	7	Feb 15/96-Mar 29/96					
		May 15/96-Aug 15/96	VU50	4,400,000,000	4,700,000,000		9,100,000,000
2007—Mar 1	13.75	June 19/84	H30	325,000,000			325,000,000
				5,750,000,000	4,700,000,000		10,450,000,000
Maturing 2007-08							
2007—June 1	7.25	Oct 1/96-Nov 15/96					
		Feb 17/97	WB60		7,100,000,000		7,100,000,000
Oct 1	13	Aug 22/84-Sept 12/84	H36	700,000,000			700,000,000
2008—Mar 1	12.75	Oct 1/84-Oct 24/84	H41	750,000,000			750,000,000
				1,450,000,000	7,100,000,000		8,550,000,000

TABLE 6.2

MARKETABLE BONDS—Continued

Maturity date	%	Issue date	Series	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
Maturing 2008-09 2008—June 1	10	Dec 15/85-Sept 1/87 Feb 1/88-Apr 14/88 June 1/88-July 21/88 Oct 15/88-Dec 15/88					
		Feb 23/89-June 1/89	H74	3,450,000,000			3,450,000,000
Oct 1	11.75	Feb 1/85-May 1/85	H52	725,000,000			725,000,000
2009—Mar 1	11.5	May 22/85	H58	400,000,000			400,000,000
				4,575,000,000			4,575,000,000
Maturing 2009-10 2009—June 1	11	Oct 1/85-Oct 23/85 Oct 15/87	H68	925,000,000			925,000,000
Oct 1	10.75	June 12/85-July 1/85 Sept 1/85-Sept 1/88	H63	1,300,000,000			1,300,000,000
2010—Mar 1	9.75	Mar 15/86	H79	325,000,000			325,000,000
				2,550,000,000			2,550,000,000
Maturing 2010-11 2010—June 1	9.5	Apr 10/86-July 1/87 July 1/89-Aug 10/89 Oct 1/89-Dec 15/89					
		Feb 1/90	H81	2,975,000,000			2,975,000,000
Oct 1	8.75	Apr 28/86	H85	325,000,000			325,000,000
2011—Mar 1	9	July 3/86-Sept 2/86 Oct 23/86-Dec 15/86 May 1/87-Mar 15/88	H87	1,975,000,000			1,975,000,000
				5,275,000,000			5,275,000,000
Maturing 2011-12 2011—June 1	8.5	Feb 19/87-Mar 15/87	H98	750,000,000			750,000,000
Maturing 2013-14 2014—Mar 15	10.25	Mar 15/89-Mar 30/89 Mar 15/90-July 1/90 Aug 1/90-Feb 21/91	A23	3,150,000,000			3,150,000,000
Maturing 2015-16 2015—June 1	11.25	May 1/90-May 31/90 Oct 1/90-Nov 15/90	A34	2,350,000,000			2,350,000,000
Maturing 2019-20 2019—Dec 31	10.186	Mar 23/90	M1	8,436,324			8,436,324
Maturing 2020-21 2021—Mar 15	10.5	Dec 15/90-Jan 9/91 Feb 1/91	A39	1,800,000,000			1,800,000,000
Maturing 2021-22 2021—June 1	9.75	May 9/91-June 1/91 July 1/91-Aug 1/91 Sept 1/91-Oct 17/91	A43	4,650,000,000			4,650,000,000
Dec 1	4.25 ⁽³⁾	Dec 10/91-Oct 14/92 May 1/93-Dec 1/93 Feb 22/94-June 21/94 Sept 15/94-Dec 15/94 Feb 2/95-May 8/95 Aug 4/95	L25	5,528,269,249 10,178,269,249	94,512,588 94,512,588		5,622,781,837 10,272,781,837
Maturing 2022-23 2022—June 1	9.25	Dec 15/91-Jan 3/92 May 15/92	A49	2,550,000,000			2,550,000,000

TABLE 6.2

MARKETABLE BONDS—*Concluded*

Maturity date	%	Issue date	Series	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
Maturing 2023-24 2023—June 1	8	Aug 17/92-Feb 1/93 Apr 1/93-July 26/93 Oct 15/93-Feb 1/94 May 2/94	A55	8,200,000,000			8,200,000,000
Maturing 2025-26 2025—June 1	9	Aug 2/94-Nov 1/94 Feb 1/95-May 1/95 Aug 1/95-Nov 1/95 Feb 1/96	A76	8,900,000,000			8,900,000,000
Maturing 2026-27 2026—Dec 1	4.25	⁽³⁾ Dec 7/95-Mar 6/96 June 6/96-Sept 6/96 Dec 20/96-Mar 12/97	L26	656,828,414	1,758,457,140		2,415,285,554
Maturing 2027-28 2027—June 1	8	May 1/96-Aug 1/96 Nov 1/96-Feb 1/97	VW17		5,800,000,000		5,800,000,000
				252,765,328,987	55,852,969,728	26,055,000,000	282,563,298,715
Less: Government's holdings				65,385,000			65,385,000
Total marketable bonds (Canadian currency)				252,699,943,987	55,852,969,728	26,055,000,000	282,497,913,715
Payable in foreign currencies—							
US dollars—							
1997—July 7	6.5	July 7/94		2,718,200,000	50,600,000		2,768,800,000
1999—Feb 10	⁽⁴⁾	Feb 10/94		2,718,200,000	50,600,000		2,768,800,000
2000—May 30	6.5	May 30/95		2,038,650,000	37,950,000		2,076,600,000
2001—May 30	6.5	May 30/96			1,384,400,000		1,384,400,000
2005—July 21	6.375	July 21/95		2,038,650,000	37,950,000		2,076,600,000
2006—Aug 28	6.75	Aug 28/96			1,384,400,000		1,384,400,000
Total marketable bonds (foreign currencies)				9,513,700,000	2,945,900,000		12,459,600,000
Total				262,213,643,987	58,798,869,728	26,055,000,000	294,957,513,715

⁽¹⁾ This column includes the translation of marketable bonds payable in foreign currencies to Canadian dollars using closing rates of exchange at March 31.⁽²⁾ Redeemable before maturity.⁽³⁾ The rate of return of this issue is linked to the Consumer Price Index for Canada.⁽⁴⁾ The rate of interest is variable throughout the year.

Treasury Bills

Treasury bills are short-term certificates of indebtedness issued by the Government of Canada to pay sums of money on given dates, and have the following characteristics:

- issued at a discount in lieu of interest payments;
- common terms: 3 months, 6 months and 12 months;
- issued in Canadian currency only;
- transferable; and,
- bought and sold on the open market.

Three-month and six-month bills are usually issued weekly, while other bills are issued every two weeks, usually for periods of one year or less.

The balance at March 31, 1997 consists of \$4,500 million in odd issue bills; \$36,500 million in three-month bills; \$33,700 million in six-month bills; and, \$60,700 million in 364-day bills.

Table 6.3 presents a monthly summary of Treasury bill issues and redemptions.

TABLE 6.3
TREASURY BILLS
(in millions of dollars)

	Issues				Redemptions				Net change
	3 month bills	6 month bills	Other bills	Total	3 month bills	6 month bills	Other bills	Total	
April, 1996	14,600	7,100	5,200	26,900	14,700	8,000	7,800	30,500	(3,600)
May	17,600	8,700	7,800	34,100	19,400	8,100	6,900	34,400	(300)
June	12,600	5,900	7,200	25,700	16,600	6,200	6,600	29,400	(3,700)
July	12,100	6,000	6,900	25,000	14,600	6,700	8,000	29,300	(4,300)
August	18,000	8,800	8,000	34,800	17,600	9,400	8,100	35,100	(300)
September	13,300	6,700	6,000	26,000	12,600	8,200	6,900	27,700	(1,700)
October	14,400	7,100	8,100	29,600	15,600	8,900	7,500	32,000	(2,400)
November	9,700	5,400	5,900	21,000	14,500	6,900	7,400	28,800	(7,800)
December	9,500	5,100	4,300	18,900	13,300	5,900	6,500	25,700	(6,800)
January, 1997	12,200	6,400	6,550	25,150	14,400	9,500	5,300	29,200	(4,050)
February	10,900	5,200	4,500	20,600	9,700	6,900	6,750	23,350	(2,750)
March	13,400	5,900	9,100	28,400	9,500	6,500	5,400	21,400	7,000
	158,300	78,300	79,550	316,150	172,500	91,200	83,150	346,850	(30,700)
Balance at April 1, 1996									166,100
Balance at March 31, 1997									135,400

Canada Savings Bonds

Canada savings bonds are interest-bearing certificates of indebtedness issued by the Government of Canada, and have the following characteristics:

- issued to Canadian residents;
- issued in Canadian currency only;
- registered in the name of the holder;
- fixed dates of maturity;
- not marketable;
- redeemable on demand by the holder, with accrued interest calculated to the end of the previous month;
- not subject to call before maturity; and,
- term to maturity of seven years or more.

Table 6.4 presents a summary of the balances and transactions for Canada savings bonds.

TABLE 6.4
CANADA SAVINGS BONDS

Maturity date	%	Issue date	Series	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
				\$	\$	\$	\$
1997—Nov 1	6.75-7.5	1987-88	S42	3,596,398,650		223,504,100	3,372,894,550
1998—Nov 1	6.75-7.5	1988-89	S43	3,410,180,800		198,289,313	3,211,891,487
2001—Nov 1	6.75-7.5	1989-90	S44	2,715,756,300		158,468,900	2,557,287,400
2002—Nov 1	6.75-7.5	1990-91	S45	2,472,671,000		149,702,000	2,322,969,000
2003—Nov 1	6.75-7.5	1991-92	S46	3,563,304,300		222,190,200	3,341,114,100
2004—Nov 1	6.75-7.5	1992-93	S47	4,119,629,500		251,641,700	3,867,987,800
2005—Nov 1	6.75-7.5	1993-94	S48	2,580,527,800		194,869,200	2,385,658,600
2006—Nov 1	6.75-7.5	1994-95	S49	4,510,951,400		494,422,400	4,016,529,000
2007—Nov 1	5.25-6	1995-96	S50	4,458,590,655		1,473,485,803	2,985,104,852
2008—Nov 1	3	1996-97	S51 ⁽¹⁾		5,699,504,075	267,748,199	5,431,755,876
				31,428,010,405	5,699,504,075	3,634,321,815	33,493,192,665
Less: Government's holdings—							
Canada savings bonds held on account of employees				85,766,376	29,947,826	20,166,092	75,984,642
Canada savings bonds held on account of the Payroll Savings Plan				739,679,500	65,502,500		674,177,000
Consolidation adjustment ⁽²⁾				142,633,000		129,978,000	272,611,000
				968,078,876	95,450,326	150,144,092	1,022,772,642
Total				30,459,931,529	5,794,954,401	3,784,465,907	32,470,420,023

⁽¹⁾ S51 includes bonds related to Government's participation in the Canada savings bonds Payroll Savings Plan.

⁽²⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Bonds for Canada Pension Plan

Bonds for Canada Pension Plan are interest-bearing certificates of indebtedness issued by the Government of Canada exclusively to the Canada Pension Plan Investment Fund, and have the following characteristics:

- not negotiable;
- not transferable;
- not assignable;
- issued in Canadian currency only;
- term to maturity of 20 years or less;
- interest payable semi-annually; and,
- redeemable at face value plus accrued interest.

Table 6.5 presents a summary of the balances and transactions for the bonds for Canada Pension Plan.

TABLE 6.5
BONDS FOR CANADA PENSION PLAN

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Canada Pension Plan Investment Fund—				
Matured 1996-97	10,651,000	1,207,254,000	1,217,905,000	
Maturing 1997-98	11,351,000			11,351,000
1998-99	12,015,000			12,015,000
1999-2000	17,709,000			17,709,000
2000-01	22,971,000			22,971,000
2001-02	17,622,000			17,622,000
2002-03	17,414,000			17,414,000
2003-04	17,259,000			17,259,000
2004-05	16,661,000			16,661,000
2005-06	239,955,000			239,955,000
2006-07	1,352,282,000			1,352,282,000
2007-08	699,981,000			699,981,000
2008-09	519,360,000			519,360,000
2009-10	71,112,000			71,112,000
2010-11	425,010,000			425,010,000
2011-12	15,763,000			15,763,000
2012-13	11,118,000			11,118,000
Total	3,478,234,000	1,207,254,000	1,217,905,000	3,467,583,000

Canada Bills

Canada bills are short-term certificates of indebtedness issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada bills provide Canada with an additional source of short-term US funds and have the following characteristics:

- issued at a discount in lieu of interest payments;
- term to maturity of not more than 270 days;
- transferable; and,
- bought and sold on the open market.

The year-end balance of Canada bills payable in US dollars was translated into Canadian dollars using the closing rate of exchange at March 31, 1997.

Table 6.6 presents a monthly summary of Canada bill issues and redemptions.

TABLE 6.6
CANADA BILLS

	Issues	Redemptions	Net change
	\$	\$	\$
April, 1996	2,377,356,352	2,415,881,796	(38,525,444)
May	1,978,689,966	1,930,176,139	48,513,827
June	2,355,449,291	2,607,488,424	(252,039,133)
July	2,697,742,401	2,498,648,224	199,094,177
August	3,259,968,458	3,369,605,490	(109,637,032)
September	3,174,941,726	3,383,280,997	(208,339,271)
October	2,597,637,699	2,236,439,722	361,197,977
November	2,261,773,344	2,350,527,175	(88,753,831)
December	1,722,616,679	1,781,269,451	(58,652,772)
January, 1997	2,605,237,867	2,649,641,612	(44,403,745)
February	2,988,707,466	2,757,098,634	231,608,832
March	3,742,383,351	2,472,298,961	1,270,084,390
	31,762,504,600	30,452,356,625	1,310,147,975
Balance at April 1, 1996			6,985,549,748
Balance before revaluation			8,295,697,723
Exchange valuation adjustment at March 31, 1997			139,937,401
Balance at March 31, 1997			8,435,635,124

Canada Notes

Canada notes are issued by the Government of Canada in the United States money market under the Government's foreign currency borrowing program. Canada notes provide Canada with an additional source of medium-term US funds.

The year-end balances of Canada notes payable in US dollars were translated into Canadian dollars using the closing rate of exchange at March 31, 1997.

Table 6.7 presents a summary of the balances and transactions for Canada notes.

TABLE 6.7
CANADA NOTES

Maturity date	%	Issue date	Note #	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
Payable in foreign currencies—							
US dollars—							
Maturing 1996-97							
1997—Mar 26	5.460	Mar 26/96	003	13,591,000		13,591,000	
Mar 26	5.482	Mar 26/96	004	24,463,800		24,463,800	
Mar 26	5.476	Mar 26/96	006	13,591,000		13,591,000	
Mar 26	5.482	Mar 26/96	007	6,795,500		6,795,500	
Mar 27	5.446	Mar 26/96	008	6,795,500		6,795,500	
Mar 27	5.486	Mar 27/96	009	27,182,000		27,182,000	
Mar 27	5.475	Mar 27/96	010	13,591,000		13,591,000	
Mar 28	5.470	Mar 28/96	015	27,182,000		27,182,000	
Mar 31	5.463	Mar 29/96	013	6,795,500		6,795,500	
Mar 31	5.457	Mar 29/96	014	6,795,500		6,795,500	
				146,782,800		146,782,800	
Maturing 1997-98							
1997—Apr 1	5.452	Mar 29/96	016	13,591,000	253,000		13,844,000
Apr 1	5.458	Apr 1/96	017		13,844,000		13,844,000
Apr 2	5.519	Apr 2/96	019		13,844,000		13,844,000
Apr 3	5.479	Apr 3/96	022		13,844,000		13,844,000
Apr 9	5.457	Apr 9/96	026		34,610,000		34,610,000
Apr 11	5.624	Apr 11/96	027		34,610,000		34,610,000
Apr 14	5.612	Apr 12/96	028		34,610,000		34,610,000
Apr 15	5.595	Apr 15/96	029		34,610,000		34,610,000
Apr 16	5.633	Apr 16/96	030		13,844,000		13,844,000
Apr 16	5.639	Apr 16/96	031		20,766,000		20,766,000
Apr 17	5.585	Apr 17/96	032		13,844,000		13,844,000
Apr 18	5.493	Apr 18/96	034		20,766,000		20,766,000
Apr 21	5.482	Apr 19/96	037		6,922,000		6,922,000
Apr 22	5.498	Apr 22/96	038		13,844,000		13,844,000
Apr 22	5.487	Apr 22/96	039		20,766,000		20,766,000
May 12	5.651	May 10/96	042		13,844,000		13,844,000
June 12	5.887	June 12/96	045		13,844,000		13,844,000
July 25	5.829	July 25/96	055		13,844,000		13,844,000
Oct 2	5.843	Apr 2/96	020 & 023		69,220,000		69,220,000
Dec 30	5.6	Jan 14/97	059		13,844,000		13,844,000
1998—Mar 26	5.825	Mar 26/96	001	46,413,265	863,995		47,277,260
Mar 26	5.82	Mar 26/96	002	27,182,000	506,000		27,688,000
Mar 30	5.781	Mar 29/96	012	67,955,000	1,265,000		69,220,000
				155,141,265	418,207,995		573,349,260

TABLE 6.7

CANADA NOTES—Concluded

Maturity date	%	Issue date	Note #	April 1/1996	Receipts and other credits ⁽¹⁾	Payments and other charges ⁽¹⁾	March 31/1997
				\$	\$	\$	\$
Maturing 1998-99							
1998—Apr 1	5.798	Apr 1/96	018		20,766,000		20,766,000
Apr 3	5.864	Apr 3/96	021		41,532,000		41,532,000
Apr 9	5.793	Apr 9/96	025		41,532,000		41,532,000
Apr 17	6.077	Apr 17/96	033		20,766,000		20,766,000
Apr 20	5.957	Apr 18/96	035		13,844,000		13,844,000
Apr 21	5.963	Apr 19/96	036		27,688,000		27,688,000
May 1	6.396	June 18/96	047		138,440,000		138,440,000
May 1	6.350	June 19/96	048		69,220,000		69,220,000
May 1	6.280	June 21/96	049		69,220,000		69,220,000
May 1	6.300	June 24/96	050		138,440,000		138,440,000
May 1	6.345	June 27/96	051		69,220,000		69,220,000
May 1	6.310	June 28/96	052		24,919,200		24,919,200
May 28	6.087	May 26/96	043		62,298,000		62,298,000
June 4	6.223	June 4/96	044		69,220,000		69,220,000
June 15	6.430	June 13/96	046		23,534,800		23,534,800
Sept 10	6.400	Sept 10/96	056		51,222,800		51,222,800
Dec 16	5.806	Dec 16/96	058		124,596,000		124,596,000
1999—Mar 26	5.934	Mar 26/96	005	1,359,100	25,300		1,384,400
				1,359,100	1,006,484,100		1,007,843,200
Maturing 1999-2000							
1999—Jul 15	6.677	July 12/96-July 15/96	053 & 054		207,660,000		207,660,000
Sept 23	6.250	Sept 23/96	057		27,688,000		27,688,000
2000—Jan 31	6.17	Jan 31/97	060		6,922,000		6,922,000
					242,270,000		242,270,000
Maturing 2000-01							
2001—Mar 27	6.188	Mar 27/96	011	6,795,500	126,500		6,922,000
Maturing 2001-02							
2001—Apr 4	6.280	Apr 4/96	024		69,220,000		69,220,000
Apr 25	6.496	Apr 25/96	040		27,688,000		27,688,000
May 7	6.542	May 6/96	041		55,376,000		55,376,000
2002—Feb 5	6.379	Feb 5/97	061		138,440,000		138,440,000
					290,724,000		290,724,000
Total				310,078,665	1,957,812,595	146,782,800	2,121,108,460

(1) This column includes the translation of Canada notes payable in foreign currencies into Canadian dollars using closing rates of exchange at March 31.

Interest Rates

Table 6.8 sets out unmatured debt as at March 31, for each of the years 1992-93 to 1996-97 inclusive, with the average rate of interest thereon. For purposes of comparison, unmatured debt is classified as to marketable bonds, Treasury bills, non-marketable bonds (include Canada savings bonds and the bonds for the Canada Pension Plan), Canada bills and Canada notes and loans.

TABLE 6.8

UNMATURED DEBT AS AT MARCH 31, FROM 1993 TO 1997, WITH THE AVERAGE RATE OF INTEREST THEREON

	Marketable bonds		Treasury bills		Canada savings bonds		Bonds for the Canada Pension Plan		Canada bills		Canada notes and loans		Total unmatured debt	
	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate	Amount out-standing	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%
1997	294,957	8.01	135,400	3.68	32,470	6.75	3,468	10.21	8,436	5.37	2,121	6.12	476,852	6.66
1996	262,214	8.39	166,100	5.89	30,460	6.58	3,478	10.21	6,985	5.20	310	5.64	469,547	7.34
1995	233,554	8.58	164,450	7.60	30,460	5.75	3,488	10.21	9,046	6.16			440,998	7.97
1994	208,411	8.79	166,000	4.47	30,418	5.5	3,497	10.20	5,649	3.44			413,975	6.75
1993	181,270	9.59	162,050	6.39	33,364	6	3,505	10.20	2,552	3.19			382,741	7.88

Note: The interest rate in effect at March 31 is used where various rates of interest are applicable.

Table 6.9 shows the average high and low yields of Treasury bills, at tender, together with the average yield on the latest issues for the years 1992-93 to 1996-97 inclusively.

TABLE 6.9

TREASURY BILLS AVERAGE YIELDS AT TENDER

Year ended	High	Low	Last issue
March 31	%	%	%
Three-month bills—			
1997	3.19	2.80	3.19
1996	5.02	8.29	5.02
1995	8.35	5.29	8.22
1994	5.39	3.62	5.39
1993	8.57	4.68	5.21
Six-month bills—			
1997	3.71	2.87	3.48
1996	4.98	8.36	5.24
1995	8.54	5.59	8.28
1994	5.88	3.75	5.88
1993	8.58	4.69	5.57
Other bills—			
1997	5.60	2.21	3.92
1996	5.08	8.30	5.58
1995	8.96	4.84	8.27
1994	6.26	3.93	6.25
1993	8.18	4.84	4.87

Maturity of Government Debt

Table 6.10 presents total unmaturred debt arranged in order of maturity.

TABLE 6.10

MATURITY OF GOVERNMENT DEBT

	Marketable bonds		Treasury bills		Canada savings bonds		Bonds for the Canada Pension Plan		Canada bills		Canada notes		Total unmaturred debt	
	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate	Amount	Average interest rate
	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(millions)	%	\$(million)	%
1998	30,742	7.24	135,400	3.68	3,373	7.50	11	9.08	8,436	5.37	573	5.67	178,535	4.45
1999	38,744	6.51			3,212	7.50	12	9.56			1,008	6.18	42,976	6.58
2000	30,903	7.72					18	10.51			242	6.61	31,163	7.71
2001	29,026	8.55					23	12.98			7	6.19	29,056	8.55
2002	22,505	8.51			2,557	7.50	18	15.43			291	6.40	25,371	8.39
2003/07 ..	75,956	8.39			15,934	7.50	1,644	9.96					93,534	8.27
2008/12 ..	21,700	9.23			8,417	4.06	1,731	10.38					31,848	7.93
2013/17 ..	5,500	10.68					11	9.37					5,511	10.67
2018/22 ..	12,081	7.30											12,081	7.30
2023/27 ..	22,065	8.14											22,065	8.14
2028/32 ..	5,800	8.00											5,800	8.00
	295,022	8.01	135,400	3.68	33,493	6.64	3,468	10.21	8,436	5.37	2,121	6.12	477,940	6.65
Less: Government's holdings	65	8.14			1,023	3.00							1,088	3.31
	294,957	8.01	135,400	3.68	32,470	6.75	3,468	10.21	8,436	5.37	2,121	6.12	476,852	6.66

Note: This table includes unmaturred debt issued by the Government of Canada. Borrowings of agent enterprise Crown corporations which are unconditional obligations of the Government, but not included in unmaturred debt, can be found in Table 6.11.

Statement of all Borrowing Transactions on behalf of Her Majesty

Table 6.11 presents the information required by section 49 of the *Financial Administration Act*. The borrowing transactions included in this table are: borrowings by the Government for general purposes, and borrowings by agent

enterprise Crown corporations. Borrowings by non-agent enterprise Crown corporations are not included because such borrowings are not on behalf of Her Majesty.

TABLE 6.11

STATEMENT OF ALL BORROWING TRANSACTIONS ON BEHALF OF HER MAJESTY

(in millions of dollars)

	April 1/1996	Issues/ Borrowings	Retirements	March 31/1997
Unmaturred debt of the Government of Canada ⁽¹⁾	469,547	415,811	408,506	476,852
Borrowings of enterprise Crown corporations designated as agents of Her Majesty ⁽²⁾	25,370	80,200	77,455	28,115
Total	494,917	496,011	485,961	504,967

(1) Details can be found in this section.

(2) Details can be found in Section 9 (Table 9.6) of this volume.

PENSION AND OTHER ACCOUNTS

Pension and other accounts are specified purpose accounts which represent the recorded value of the financial obligations of the Government in its role as administrator of certain public moneys received or collected for specified purposes, under or pursuant to the legislation, trusts, treaties, undertakings or contracts. These public moneys may be paid out only for the purposes specified in or pursuant to the legislation, trusts, treaties, undertakings or contracts.

Because of the dedicated purposes of these moneys, specific accounts are required to be maintained to provide an accounting mechanism to ensure that the moneys are used only for the purposes for which they were received or collected. Legislation relating to some accounts permits investments to be made and, in certain cases, the balances of the accounts earn interest.

Public Sector Pensions

The liability for public sector pensions represents the Government's obligations for its major pension plans. An allowance account is used to record the accumulated amortization of any shortfall or excess between the liability for public sector pensions and the balances of the superannuation accounts as determined on an actuarial basis for accounting purposes.

The Government sponsors defined benefit pension plans for substantially all its full-time employees, principally members of the Public Service, the Canadian Forces and the Royal Canadian Mounted Police. It also has obligations for several other pension plans; the two most significant ones being for Members of Parliament and federally appointed judges.

The legislation provides that all pension obligations arising from these plans be met but separate funds are not maintained.

i. Pension plans

Employee pension plans

Basic pensions for the three major employee plans are generally based on the best six consecutive years' average earnings and are accrued at 2 percent of these average earnings per year of service, to a maximum of 70 percent of final average earnings. Basic pensions are indexed annually (on January 1) to the cost of living.

Employee contributions for these benefits are 7.5 percent of pay, less contributions to the Canada or Quebec Pension Plan. Employer contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. In 1996-97, the employer contribution rates averaged about 1.6, 2.8 and 2.2 times the current year's employee contribution for the plans of the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*, respectively.

To reflect the *Income Tax Act* restrictions on the benefits payable from registered pension plans, pension legislation contains a number of provisions, including the *Special Retirement Arrangements Act* (SRAA), to allow various federal service superannuation plans to adapt to the tax restrictions. These include a retirement compensation arrangement established under the SRAA to record transactions for those pension benefits above the limits allowed under the *Income Tax Act*.

Contributions are credited to the superannuation accounts. The accounts earn interest at rates that are based on the Government of Canada long-term bond rate. The interest rate earned by the accounts was about 10.4 percent for 1996 and 10.2 percent for 1997.

Members of Parliament retiring allowances

Members of Parliament are eligible to receive a basic retiring allowance upon termination of membership and after having reached age 55 and contributed to the plan for at least six years. The basic allowance is based on the best six year average sessional indemnity and is accrued at a rate of 4 percent and 3 percent of these average indemnities for Members of the House of Commons and for Senators, respectively. Basic allowances are indexed annually (on January 1) to the cost of living.

Members' contributions for these benefits are 9 percent for Members of the House of Commons and 7 percent for Senators. The Government contributions are made monthly to provide for the cost of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The Government contributions expressed as a multiple of Members' contributions, are as follows:

	1997	1996
Members of Parliament		
House of Commons		
Retiring allowances account	2.10	1.90
Retiring compensation arrangements	5.51	5.08
The Senate		
Retirement allowances account	1.39	1.33
Retirement compensation arrangements	2.60	2.47

Contributions are credited to the appropriate superannuation accounts. The accounts earn interest at a rate of 2.5 percent per quarter.

Pension plan for federally appointed judges

This plan provides fully-indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits instead, the full benefit amount is generally payable when the member reaches age 65 and completed 15 years of pensionable service.

Judges appointed to the bench before February 17, 1975 make required contributions of 1.5 percent of salary. All other judges make contributions of 7 percent of salary. No specified purpose account is maintained for this pension plan. Benefits are included in the Statement of Revenues and Expenditures as a component of other transfer payments. During the year, the benefit payments charged to expenditures amounted to \$41 million.

ii. Actuarial valuations

As required under the *Public Pensions Reporting Act*, actuarial valuations are performed triennially on the five major pension plans using the projected benefit method pro-rated on services.

The most recent review date for the actuarial valuation of each pension plan is as follows:

Public Service—March 31, 1996;

Canadian Forces—December 31, 1993;

Royal Canadian Mounted Police—March 31, 1996;

Federally appointed judges—March 31, 1995;

Members of Parliament—March 31, 1995.

As at March 31, 1997, the actuarial valuation reports for the Public Service and the Royal Canadian Mounted Police pension plans were not tabled before Parliament.

In accordance with the legislation governing the major pension plans, the President of the Treasury Board has the authority to direct that any actuarial deficiency found will be divided into equal instalments and credited to the appropriate account over a period not exceeding fifteen years commencing in the year in which the actuarial report is laid before Parliament. In the current year, no actuarial deficit was credited to the appropriate accounts.

Table 6.12 presents a summary of the balances and transactions for the liability for public sector pensions. Receipts and other credits for the superannuation accounts consist of contributions from employees, related contributions from the Government and participating Public Service corporations, transfers from other pension funds, other contributions related to actuarial liability adjustments and interest. Payments and other charges for the superannuation accounts consist of annuity payments for pensions, minimum benefits, cash termination allowances (lump sum payments to employees suffering a disability), refunds of contributions, and transfers to other plans. Adjustments to the allowance account result from annual actuarial valuations performed for accounting purposes.

TABLE 6.12
PUBLIC SECTOR PENSIONS

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Public Service Superannuation Account,				
Table 6.14	64,997,316,133	8,385,403,440	3,069,016,290	70,313,703,283
Allowance for pension adjustments	(682,000,000)	33,000,000	1,217,000,000	(1,866,000,000)
	<u>64,315,316,133</u>	<u>8,418,403,440</u>	<u>4,286,016,290</u>	<u>68,447,703,283</u>
Canadian Forces Superannuation Account,				
Table 6.15	37,122,160,427	4,267,005,428	1,642,316,200	39,746,849,655
Allowance for pension adjustments	(2,347,000,000)		1,180,000,000	(3,527,000,000)
	<u>34,775,160,427</u>	<u>4,267,005,428</u>	<u>2,822,316,200</u>	<u>36,219,849,655</u>
Royal Canadian Mounted Police Superannuation Account,				
Table 6.16	7,527,706,009	939,047,957	206,251,370	8,260,502,596
Allowance for pension adjustments	(417,000,000)		173,000,000	(590,000,000)
	<u>7,110,706,009</u>	<u>939,047,957</u>	<u>379,251,370</u>	<u>7,670,502,596</u>
Members of Parliament Retiring Allowances Account,				
Table 6.17	245,777,087	27,467,898	15,139,159	258,105,826
Allowance for pension adjustments	35,000,000		6,000,000	29,000,000
	<u>280,777,087</u>	<u>27,467,898</u>	<u>21,139,159</u>	<u>287,105,826</u>
Members of Parliament Retirement Compensation				
Arrangements Account, Table 6.18	25,600,159	8,872,579	4,713,798	29,758,940
Allowance for pension adjustments	(1,000,000)		1,000,000	(2,000,000)
	<u>24,600,159</u>	<u>8,872,579</u>	<u>5,713,798</u>	<u>27,758,940</u>
Retirement Compensation Arrangements				
(RCA) Account, Table 6.19	407,922,500	327,974,902	271,956,667	463,940,735
Allowance for pension adjustments	388,000,000	364,000,000	250,000,000	502,000,000
	<u>795,922,500</u>	<u>691,974,902</u>	<u>521,956,667</u>	<u>965,940,735</u>
Supplementary Retirement Benefits Account,				
Table 6.20	49,467,897	5,794,462	1,687,569	53,574,790
Allowance for pension adjustments	530,000,000	2,000,000		532,000,000
	<u>579,467,897</u>	<u>7,794,462</u>	<u>1,687,569</u>	<u>585,574,790</u>
Total	<u>107,881,950,212</u>	<u>14,360,566,666</u>	<u>8,038,081,053</u>	<u>114,204,435,825</u>
SUMMARY—				
Superannuation accounts	110,375,950,212	13,961,566,666	5,211,081,053	119,126,435,825
Allowance for pension adjustments	(2,494,000,000)	399,000,000	2,827,000,000	(4,922,000,000)
Total	<u>107,881,950,212</u>	<u>14,360,566,666</u>	<u>8,038,081,053</u>	<u>114,204,435,825</u>

Table 6.13 presents a summary of transactions in public sector pensions that resulted in charges to expenditures.

TABLE 6.13
SUMMARY OF TRANSACTIONS IN PUBLIC SECTOR PENSIONS THAT RESULTED IN CHARGES TO EXPENDITURES
(in millions of dollars)

	1996-97						
	Statutory payments under				Total before allowance for pension adjustments	Net allowance for pension adjustments	Total
	Government contributions	Interest	Various acts	Supplementary Retirement Benefits Act			
Public Service Superannuation Account	955	6,563			7,518	(1,184)	6,334
Canadian Forces Superannuation Account	390	3,734			4,124	(1,180)	2,944
Defence Services Pension Continuation Act			4	14	18		18
Royal Canadian Mounted Police Superannuation Account	120	764			884	(173)	711
Royal Canadian Mounted Police Continuation Act			8	18	26		26
Members of Parliament Retiring Allowances Account ..	1	25			26	(6)	20
Members of Parliament Retirement Compensation Arrangements Account	5	3			8	(1)	7
Retirement Compensation Arrangements (RCA) Account	273	45			318	114	432
Supplementary Retirement Benefits Account	1	3			4	2	6
Judges Act			41		41		41
Other (diplomatic services, lieutenant governors, etc.)			1		1		1
Subtotal	1,745	11,137	54	32	12,968	(2,428)	10,540
Less: costs already provided for in the allowance for pension adjustments in 1995-96	(250)				(250)	250	
Total	1,495	11,137	54	32	12,718	(2,178)	10,540

Public Service Superannuation Account

This account is operated under the *Public Service Superannuation Act*.

No actuarial liability adjustment was made in either 1995-96 or 1996-97 as a result of triennial actuarial reviews.

TABLE 6.14**PUBLIC SERVICE SUPERANNUATION ACCOUNT**

	1996-97	1995-96
	\$	\$
Opening balance	64,997,316,133	59,941,130,441
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Government employees	502,481,570	539,649,059
Retired employees	41,980,964	38,820,619
Public Service corporation employees	157,949,819	160,815,658
Employer contributions—		
Government	954,800,618	880,610,168
Public Service corporations	159,211,059	151,610,339
Transfers from other pension funds	6,408,240	13,508,963
Interest	6,562,571,170	6,183,553,867
	8,385,403,440	7,968,568,673
	73,382,719,573	67,909,699,114
PAYMENTS AND OTHER CHARGES—		
Annuities	2,876,822,137	2,705,981,767
Cash termination allowances	103,196	185,887
Minimum benefits	15,541,356	14,491,526
Pension division payments	36,379,740	33,657,792
Returns of contributions—		
Government employees	64,788,655	109,705,955
Public Service corporation employees	20,105,589	25,214,523
Transfers to other pension funds	55,275,617	23,145,531
	3,069,016,290	2,912,382,981
Closing balance	70,313,703,283	64,997,316,133

Canadian Forces Superannuation Account

This account is operated under the *Canadian Forces Superannuation Act*.

No actuarial liability adjustment was made in either 1995-96 or 1996-97 as a result of triennial actuarial reviews.

TABLE 6.15**CANADIAN FORCES SUPERANNUATION ACCOUNT**

	1996-97	1995-96
	\$	\$
Opening balance	37,122,160,427	34,544,573,856
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel	137,856,454	152,069,273
Contributions by the Government	389,606,155	409,844,722
Interest	3,733,960,211	3,551,180,996
Other	5,582,608	5,412,358
	4,267,005,428	4,118,507,349
	41,389,165,855	38,663,081,205
PAYMENTS AND OTHER CHARGES—		
Pensions and retiring allowance payments	1,570,609,971	1,459,399,058
Pension division payments	36,526,304	43,402,158
Cash termination allowances and returns of contributions	34,354,017	37,043,598
Transfers to Public Service Superannuation Account (Treasury Board)	825,908	1,075,964
	1,642,316,200	1,540,920,778
Closing balance	39,746,849,655	37,122,160,427

Royal Canadian Mounted Police Superannuation Account

This account is operated under the *Royal Canadian Mounted Police Superannuation Act*.

No actuarial liability adjustment was made in either 1995-96 or 1996-97 as a result of triennial actuarial reviews.

TABLE 6.16

ROYAL CANADIAN MOUNTED POLICE SUPERANNUATION ACCOUNT

	1996-97	1995-96
	\$	\$
Opening balance	7,527,706,009	6,819,813,966
RECEIPTS AND OTHER CREDITS—		
Contributions from personnel (current and arrears)	54,360,830	57,227,109
Transfers from other pension funds	508,167	260,412
Contributions by the Government	120,139,473	119,444,367
Interest	764,039,487	708,207,819
	939,047,957	885,139,707
	8,466,753,966	7,704,953,673
PAYMENTS AND OTHER CHARGES—		
Annuities and allowance payments	191,033,133	165,924,932
Pension division payments	12,716,892	8,901,121
Return of contributions	1,975,263	1,829,746
Cash termination allowance and gratuities		100,308
Transfers to other pension funds	131,906	220,369
Interest on returns of contributions	394,176	271,188
	206,251,370	177,247,664
Closing balance	8,260,502,596	7,527,706,009

Members of Parliament Retiring Allowances Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the Senate or the House of Commons. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

TABLE 6.17

MEMBERS OF PARLIAMENT RETIRING ALLOWANCES ACCOUNT

	1996-97	1995-96
	\$	\$
Opening balance	245,777,087	235,051,927
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	807,042	883,948
Arrears of principal, interest and mortality insurance	69,535	106,557
Government contributions—		
Current	1,561,870	1,685,476
Interest	25,029,451	23,933,398
	27,467,898	26,609,379
	273,244,985	261,661,306
PAYMENTS AND OTHER CHARGES—		
Annual allowances	15,000,643	14,947,496
Withdrawal allowances	43,877	339,247
Interest on withdrawals	29,267	6,378
Pension division payments	65,372	591,098
	15,139,159	15,884,219
Closing balance	258,105,826	245,777,087

Members of Parliament Retirement Compensation Arrangements Account

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

TABLE 6.18

MEMBERS OF PARLIAMENT RETIREMENT COMPENSATION ARRANGEMENTS ACCOUNT

	1996-97	1995-96
	\$	\$
Opening balance	25,600,159	21,963,436
RECEIPTS AND OTHER CREDITS—		
Members' contributions—		
Current	1,074,385	1,246,927
Government contributions—		
Current	4,944,660	5,971,846
Interest	2,853,534	2,563,705
	8,872,579	9,782,478
	34,472,738	31,745,914
PAYMENTS AND OTHER CHARGES—		
Annual allowances	772,012	762,478
Refundable tax remitted to		
Revenue Canada	3,884,619	4,808,645
Withdrawals	48,111	527,216
Pension division payments	9,056	47,416
	4,713,798	6,145,755
Closing balance	29,758,940	25,600,159

Retirement Compensation Arrangements (RCA) Account

The RCA No.1 was established by the *Special Retirement Arrangements Act* (SRAA) to provide pension benefits for federal employees under retirement compensation arrangements. RCA No.1 pays those pension benefits above the amount that may, in accordance with the *Income Tax Act* restrictions on registered pension plans, be paid under the *Public Service Superannuation Act*, the *Canadian Forces Superannuation Act* and the *Royal Canadian Mounted Police Superannuation Act*. The RCA No.1 was created effective December 15, 1994.

The RCA No.2 was established by the Retirement Compensation Arrangement regulations. These regulations established a 3 year program for Public Service employees who are declared surplus as part of the Government's downsizing initiative, who are between age 50 and 54 and who meet other conditions specified in the regulations. RCA No.2 pays the difference between a pension not reduced for early retirement and the reduced pension payable from the Public Service Superannuation Account. It is funded entirely by the Government. The RCA No.2 was created effective April 1, 1995.

TABLE 6.19

RETIREMENT COMPENSATION ARRANGEMENTS (RCA) ACCOUNT

	RCA No.1						RCA No.2			
	Public Service		Canadian Forces		Royal Canadian Mounted Police		Public Service		Total	
	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	8,803,559	1,646,420	743,381		10,287	377	398,365,273		407,922,500	1,646,797
RECEIPTS AND OTHER CREDITS—										
Contributions—										
Government										
employees	1,674,291	1,379,933	128,394	137,293	17,310	9,910			1,819,995	1,527,136
Public Service corporation										
employees	895,116	551,553							895,116	551,553
Employer contributions—										
Government	19,980,072	7,031,114	2,294,474	592,615	325,916		250,466,676	507,008,265	273,067,138	514,631,994
Public Service corporations	6,560,991	2,306,166							6,560,991	2,306,166
Interest	1,830,084	544,247	156,384	17,814	9,682		43,635,512	7,056,658	45,631,662	7,618,719
	30,940,554	11,813,013	2,579,252	747,722	352,908	9,910	294,102,188	514,064,923	327,974,902	526,635,568
	39,744,113	13,459,433	3,322,633	747,722	363,195	10,287	692,467,461	514,064,923	735,897,402	528,282,365
PAYMENTS AND OTHER CHARGES—										
Annuities	69,658	7,236	69,856	4,341	27		30,383,768	15,855,262	30,523,309	15,866,839
Returns of contributions—										
Government	4,872	2,384							4,872	2,384
Public Service corporation										
employees	21,643	7,899							21,643	7,899
Refundable tax	12,701,221	4,638,355					228,705,622	99,844,388	241,406,843	104,482,743
	12,797,394	4,655,874	69,856	4,341	27		259,089,390	115,699,650	271,956,667	120,359,865
Closing balance	26,946,719	8,803,559	3,252,777	743,381	363,168	10,287	433,378,071	398,365,273	463,940,735	407,922,500

Supplementary Retirement Benefits Account

This account was established by the *Supplementary Retirement Benefits Act*, to provide for pension benefit increases resulting from changes in the Consumer Price Index.

The account continues to provide for increased pension benefits resulting from indexation for pensions of life senators, federally appointed judges, and recipients of pensions under various Continuation Acts and other Acts.

TABLE 6.20
SUPPLEMENTARY RETIREMENT BENEFITS ACCOUNT

	Royal Canadian Mounted Police		Parliament		Others ⁽¹⁾		Total	
	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	5,551,391	5,243,275	97,973	89,833	43,818,533	37,955,517	49,467,897	43,288,625
RECEIPTS AND OTHER CREDITS—								
Employee contributions—								
Government			644	644	1,407,068	1,364,228	1,407,712	1,364,872
Matching contributions—								
Government			644	644	1,405,752	1,363,813	1,406,396	1,364,457
Interest		308,116	6,458	6,852	2,973,896	3,171,819	2,980,354	3,486,787
		308,116	7,746	8,140	5,786,716	5,899,860	5,794,462	6,216,116
	5,551,391	5,551,391	105,719	97,973	49,605,249	43,855,377	55,262,359	49,504,741
PAYMENTS AND OTHER CHARGES—								
Annuities	1,643,558				36,511	36,844	1,680,069	36,844
Return of contributions					7,500		7,500	
	1,643,558				44,011	36,844	1,687,569	36,844
Closing balance	3,907,833	5,551,391	105,719	97,973	49,561,238	43,818,533	53,574,790	49,467,897

(1) Includes all federally appointed judges, lieutenant governors and diplomatic services.

Allowance for Pension Adjustments

This account records the required accounting adjustments resulting from annual actuarial valuations.

Estimation adjustments of \$2,575 million (\$2,399 million in 1996) due to experience gains and losses and changes in actuarial assumptions were amortized to this account and reduced pension costs for the year. In addition, \$250 million (\$507 million in 1996) was recorded in this account to offset pension costs charged to program expenditures in previous years but recorded in the superannuation accounts in 1997. To record the additional pension liabilities related to public sector restructuring, \$397 million (\$572 million in 1996) was recorded in this account and charged to other program expenditures in 1996-97.

The unamortized estimation adjustment of \$20,631 million (\$21,352 million in 1996) will be amortized to this account and will reduce expenditures in future years.

As a result of annual actuarial valuations for accounting purposes, the liability for public sector pensions was found to be \$25,553 million lower than the balance of the superannuation accounts. This amount is made of:

- an excess of \$11,476 million related to the Public Service pension plan;
- an excess of \$12,382 million related to the Canadian Forces pension plan;
- an excess of \$2,295 million related to the Royal Canadian Mounted Police pension plan;
- an excess of \$38 million related to the Members of Parliament retiring allowances; and,
- a shortfall of \$638 million related to the federally appointed judges pension plan.

Canada Pension Plan

The Canada Pension Plan is a compulsory and contributory social insurance program which is designed to provide a measure of protection to Canadian workers and their families against loss of earnings due to retirement, disability or death. Established in 1965, the Plan operates in all parts of Canada, except the Province of Quebec which has a comparable plan.

Under existing arrangements, all pensions, benefits and expenditures incurred in the administration of the Plan are financed from contributions made by employees, employers and self-employed persons, and from interest earned from the investment of funds.

The Government's authority to spend, as administrator of the Canada Pension Plan, is limited to the balance in the Account.

Table 6.21 presents a summary of the balances and transactions in the Canada Pension Plan Account less investment in securities of the federal, provincial and territorial governments held by the Canada Pension Plan Investment Fund.

TABLE 6.21
CANADA PENSION PLAN

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Canada Pension Plan Account, Table 6.22	39,167,494,886	15,508,665,621	16,917,161,406	37,758,999,101
Less: securities held by the Canada Pension Plan Investment Fund —				
Canada	3,478,234,000	10,651,000		3,467,583,000
Newfoundland	737,264,000	30,988,000		706,276,000
Nova Scotia	1,336,712,000	59,709,000		1,277,003,000
Prince Edward Island	161,887,000	6,419,000		155,468,000
New Brunswick	988,520,000	45,179,000		943,341,000
Quebec	118,786,000	7,653,000		111,133,000
Ontario	15,769,709,000	812,840,000		14,956,869,000
Manitoba	1,875,511,000	86,548,000		1,788,963,000
Saskatchewan	1,587,472,000	65,338,000		1,522,134,000
Alberta	4,476,244,000	140,685,000		4,335,559,000
British Columbia	4,996,832,000	224,202,000		4,772,630,000
Yukon Territory	3,726,000			3,726,000
	35,530,897,000	1,490,212,000		34,040,685,000
Operating balance	3,636,597,886	16,998,877,621	16,917,161,406	3,718,314,101

Receipts and other credits include:

- (a) contributions at the combined employer and employee rates of 5.6 percent and 5.85 percent of pensionable earnings for the 1996 and 1997 calendar years, subject to maximum combined contributions of \$1,786 and \$1,890 respectively;
- (b) interest on investment in securities held by the Canada Pension Plan Investment Fund, from short term investments and from the average daily operating balance; and,
- (c) funds received from the federal, provincial and territorial governments for the securities which have been disposed during the year.

Payments and other charges include:

- (a) pensions and benefits paid under the Canada Pension Plan as retirement pensions, survivors' benefits paid to widows, widowers and orphans, or as lump sum death benefits, and disability pensions and benefits to children of disabled contributors;
- (b) pensions and benefits paid and recovered from the Canada Pension Plan, in accordance with an agreement with a province providing a comprehensive pension plan;
- (c) payments that are required to be charged to the Canada Pension Plan Account, in accordance with reciprocal agreements with other countries;
- (d) the costs of administration of the Plan; and,
- (e) funds, when available, invested during the year in the securities of the federal, provincial and territorial governments.

When the operating balance exceeds the estimated amount required to meet all payments in the following three-month period, the excess is available for the purchase of securities of the provinces, territories and Canada.

Provinces and territories are advised monthly of the amount of excess funds in the Canada Pension Plan Account that is available for the purchase of provincial and territorial securities. The monies available for purchases of securities are allocated to the provinces and territories in proportion to the contributions received in those provinces or territories during the preceeding 10 years. Contributions received in respect of employment from employees outside Canada as well as any excess funds not invested in the securities of the provinces and territories are invested in the special non-marketable bonds of the Government of Canada.

Certain federal employees, such as members of the Canadian Armed Forces, who are resident in the Province of Quebec, contribute to the Canada Pension Plan. The securities of Quebec which are purchased by the Plan relate to the contributions of these employees.

TABLE 6.22

CANADA PENSION PLAN ACCOUNT

(in millions of dollars)

	1996-97	1995-96
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees, employers and self-employed	11,391	10,607
Interest on investments	3,940	4,082
Interest on average daily balance	178	294
	15,509	14,983
PAYMENTS AND OTHER CHARGES—		
Pensions and benefits	16,676	15,969
Administration	242	219
	16,918	16,188
Net decrease	(1,409)	(1,205)
Funds applied—		
Increase in deposits with Receiver General	81	231
Less: funds provided—		
Disposals of bonds—		
Provincial and territorial	1,479	1,426
Federal	11	10
	1,490	1,436
Net decrease	(1,409)	(1,205)
Balance at beginning of year	39,168	40,373
Balance at end of year	37,759	39,168

Government Annuities Account

This account was established by the *Government Annuities Act*, and modified by the *Government Annuities Improvement Act*, which discontinued sales of annuities in 1975. The account is valued on an actuarial basis each year, with the deficit or surplus charged or credited to the Consolidated Revenue Fund.

The purpose of the *Government Annuities Act* was to assist Canadians to provide for their later years, by the purchase of Government annuities. The *Government Annuities Improvement Act* increased the rate of return and flexibility of Government annuity contracts.

Receipts and other credits consist of premiums received, funds reclaimed from the Consolidated Revenue Fund for previously untraceable annuitants, earned interest and items transferred from previous years' revenues to cover the actuarial deficit. Payments and other charges represent matured annuities, the commuted value of death benefits, premium refunds and withdrawals, and actuarial surpluses and unclaimed items transferred to non-tax revenues. The amounts of unclaimed annuities, related to untraceable annuitants, are transferred to non-tax revenues.

Confederation Bridge (previously PEI Fixed Link)

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island. Payments of the annual subsidy will begin on May 31, 1997 and continue for 35 years. The payments will be used to retire \$661 million of 4.5 per cent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$823 million, offset by deferred subsidies which are recorded in an account under other loans, investments and advances in Section 9 of this volume. These deferred subsidies will be amortized to expenditures over the 35-year period ending on April 30, 2032.

Deposit and Trust Accounts

Deposit and trust accounts is a group of liabilities representing the Government's financial obligations in its role as administrator of certain moneys that it has received or collected for specified purposes and that it will pay out accordingly. To the extent that the funds received are represented by securities, these are deducted from the corresponding ac-

counts to show the Government's net liability. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.23 presents a summary of the balances and transactions in deposit and trust accounts.

TABLE 6.23

DEPOSIT AND TRUST ACCOUNTS

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Deposit accounts—				
Agriculture and Agri-Food—				
Canadian Dairy Commission account	16,115,338	498,507,129	506,838,339	7,784,128
Guarantee deposits—Board of Arbitration and Review Tribunal	13,736	1,600	12,473	2,863
	16,129,074	498,508,729	506,850,812	7,786,991
Citizenship and Immigration—				
General security deposits	150,000	25,624	5,624	170,000
Immigration guarantee fund	17,512,621	6,226,735	7,812,131	15,927,225
	17,662,621	6,252,359	7,817,755	16,097,225
Finance—				
Canada Development Investment Corpora- tion—				
Canadair holdback	83,560,000			83,560,000
Crown corporations' surplus moneys— St Lawrence Seaway Authority, The	13,000,000			13,000,000
	96,560,000			96,560,000
Foreign Affairs and International Trade—				
Fairs and missions	978,991	6,343,417	6,920,021	402,387
Indian Affairs and Northern Development—				
Field British Columbia and Yukon Operations of the Northern Canada Power Commission	992,588			992,588
Guarantee deposits	17,632,433	5,452,237	7,316,922	15,767,748
Less: securities held in trust	15,862,382	6,565,168	3,431,279	12,728,493
	1,770,051	12,017,405	10,748,201	3,039,255
Guarantee deposits—Oil and gas	15,060,400	2,798,192	3,553,492	14,305,100
Less: securities held in trust	11,566,755	1,440,992	2,798,192	12,923,955
	3,493,645	4,239,184	6,351,684	1,381,145
Guarantee deposits—Reserve resources	981,723	1,171,580	47,360	2,105,943
Less: securities held in trust			1,037,700	1,037,700
	981,723	1,171,580	1,085,060	1,068,243
	7,238,007	17,428,169	18,184,945	6,481,231
Industry—				
Trustee Performance Securities—Bankruptcy and Insolvency Act	15,000			15,000
Justice—				
Supreme Court of Canada—				
Security for costs	315,994	30,525	9,120	337,399
Tax Court of Canada—				
Security for costs	29,167	1,045		30,212
	345,161	31,570	9,120	367,611
National Revenue—				
Guarantee deposits	9,835,288	1,377,365	1,511,139	9,701,514
Less: securities held in trust	2,951,800	885,000	133,000	2,199,800
	6,883,488	2,262,365	1,644,139	7,501,714
Temporary deposits received from importers	455,157	157,386		612,543
Less: deposits in special bank accounts	455,157		157,386	612,543
		157,386	157,386	
	6,883,488	2,419,751	1,801,525	7,501,714

TABLE 6.23

DEPOSIT AND TRUST ACCOUNTS—*Concluded*

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Natural Resources—				
Guarantee deposits—Oil and gas	81,566,850	22,157,780	35,205,069	68,519,561
Less: securities held in trust	79,746,257	33,936,405	22,138,406	67,948,258
	1,820,593	56,094,185	57,343,475	571,303
Privy Council—				
Chief Electoral Officer—Candidates' and committees'				
deposits—Election and referendum	26,100		15,000	11,100
Public Works and Government Services—				
Contractors' security deposits (departments and				
agencies)—				
Bonds	17,260,097	28,944,944	28,079,438	18,125,603
Less: securities held in trust	17,260,097	11,337,351	12,202,857	18,125,603
		40,282,295	40,282,295	
Cash	15,707,585	21,805,724	19,859,415	17,653,894
Certified cheques	1,598,747	463,000	5,144	2,056,603
Less: securities held in trust	1,598,747	5,144	463,000	2,056,603
		468,144	468,144	
Seized property—Cash	12,139,214	11,966,694	10,171,470	13,934,438
	27,846,799	74,522,857	70,781,324	31,588,332
Total deposit accounts	175,505,834	661,601,037	669,723,977	167,382,894
Trust accounts—				
Finance—				
Halifax 1917 explosion pension account	367,894	11,680	82,611	296,963
Indian Affairs and Northern Development—				
Indian band funds—				
Capital accounts, Table 6.24	791,770,726	94,169,842	81,771,887	804,168,681
Revenue accounts, Table 6.25	120,515,205	86,561,699	85,360,683	121,716,221
	912,285,931	180,731,541	167,132,570	925,884,902
Indian estate accounts	6,281,557	4,904,096	4,198,837	6,986,816
Indian savings accounts	154,552,927	13,511,997	28,870,173	139,194,751
	1,073,120,415	199,147,634	200,201,580	1,072,066,469
National Defence—				
Estates—Armed services	94,652	1,712,816	1,567,355	240,113
Solicitor General—				
Canadian Security Intelligence Service—				
Scholastic awards	36,454	1,060	3,000	34,514
Correctional Service—				
Inmates' trust fund	7,545,591	29,099,345	28,374,226	8,270,710
Royal Canadian Mounted Police—				
Benefit trust fund	2,533,073	181,908	169,045	2,545,936
	10,115,118	29,282,313	28,546,271	10,851,160
Veterans Affairs—				
Administered trust accounts	8,982,639	2,075,451	2,138,107	8,919,983
Estates fund	659,727	510,667	653,403	516,991
Veterans administration and welfare trust				
fund	2,079,640	505,518	628,761	1,956,397
Less: securities held in trust				
	2,079,640	505,518	628,761	1,956,397
	11,722,006	3,091,636	3,420,271	11,393,371
Total trust accounts	1,095,420,085	233,246,079	233,818,088	1,094,848,076
Total deposit and trust accounts	1,270,925,919	894,847,116	903,542,065	1,262,230,970

Canadian Dairy Commission account

The Canadian Dairy Commission is a Crown corporation listed in Part I of Schedule III of the *Financial Administration Act*, and uses the Consolidated Revenue Fund for banking purposes. This account was established by section 15 of the *Canadian Dairy Commission Act*, to record the Government's liability to the Commission.

Guarantee deposits—Board of Arbitration and Review Tribunal

This account was established to record deposits of oral hearing fees. The expenses incurred by the Board of Arbitration and Review Tribunal, established pursuant to the *Canada Agricultural Products Act*, are charged to this account.

General security deposits

This account was established to record general security deposits from transportation companies in accordance with section 92(1) of the *Immigration Act*.

Immigration guarantee fund

This account was established by sections 18, 23, 92 and 103 of the *Immigration Act*, to record amounts collected and held pending final disposition, either by refund to the original depositor, or forfeiture to the Crown.

Canadair holdback—Canada Development Investment Corporation

This account was established pursuant to section 129(1) of the *Financial Administration Act*. This special purpose money is to be used to meet costs incurred on the sale of Crown corporations and demand for payment by purchasers pursuant to the acquisition agreement and costs incurred by the Canada Development Investment Corporation in connection with their sale.

Crown corporations' surplus moneys

These accounts were established pursuant to section 129(1) of the *Financial Administration Act*, to record moneys received from Crown corporations as directed by the Minister of Finance with the concurrence of the appropriate Minister. Interest can be paid in accordance with and at rates fixed by the Minister of Finance with the approval of the Governor in Council.

Fairs and missions

This account was established to record deposits which may be refunded, in part or in total, in accordance with contractual agreements concerning the participation of Canadian sector enterprises at international trade fairs.

Field British Columbia and Yukon Operations of the Northern Canada Power Commission

This account was established to record amounts deposited by the Northern Canada Power Commission to reimburse liabilities pertaining to Field British Columbia and Yukon Operations of the Northern Canada Power Commission.

Guarantee deposits—Indian Affairs and Northern Development

This account was established to record cash and securities deposited as guarantees for oil, mineral and timber rights and licences, pursuant to section 8 of the *Arctic Waters Pollution Prevention Act*, section 17 of the *Yukon Waters Act* and of the *Northwest Territories Waters Act* and various regulations under the *Territorial Lands Act*. Interest is not allowed on cash deposits.

Guarantee deposits—Oil and gas—Indian Affairs and Northern Development

This account was established to record securities in the form of cash, promissory notes, letters of credit or other acceptable instruments which are required to be issued to, and held by the Government of Canada pursuant to a signed Exploration Agreement in accordance with the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Guarantee deposits—Reserve resources

This account was established to record cash and bond security deposits with respect to Indian reserve licences and contracts for the development of resources, in accordance with the various regulations made under section 57 of the *Indian Act*. Interest is allowed on cash deposits.

Trustee Performance Securities—Bankruptcy and Insolvency Act

This account was established in accordance with section 16 of the *Bankruptcy and Insolvency Act*, whereby a duly appointed trustee shall give security in cash or by bond of a guaranty company, satisfactory to the official receiver, for the due accounting for the payment and the transfer of all property received by him as trustee and for the due and faithful performance of his duties.

Security for costs—Supreme Court of Canada

This account was established to record security to the value of \$500 deposited by the Appellant with the Registrar of the Supreme Court of Canada in accordance with section 60(1)(b) of the *Supreme Court Act*. As per section 66 of the Rules of the Supreme Court of Canada, interest is paid on money deposited as security.

Security for costs—Tax Court of Canada

This account was established to record moneys paid into the Tax Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Guarantee deposits—National Revenue

This account was established to record cash and securities required to guarantee payment of customs duties and excise taxes on imported goods, and of sales and excise taxes payable by licensees pursuant to the *Customs Act* and the *Excise Tax Act*.

Temporary deposits received from importers

This account was established to record temporary security deposits received from importers to ensure compliance with various departmental (Customs and Excise) regulations regarding temporary entry of goods.

Guarantee deposits—Oil and gas—Natural Resources

This account was established to record securities in the form of cash, promissory notes, and bonds which are required to be issued to, and held by the Government of Canada pursuant to an Exploration Licence in accordance with section 24 of the *Canada Petroleum Resources Act*. These securities are a performance guarantee that the agreed exploration will be performed in the manner and time frame specified. Interest is not paid on these deposits.

Candidates' and committees' deposits—Election and referendum

This account was established to record candidates' election and committees' referendum deposits received in respect of an election (general or by-election) or a referendum.

Pursuant to the *Canada Election Act* or the *Referendum Act*, amounts received are either refunded to candidates or committees, or are transferred to non-tax revenues.

During the year, an amount of \$7,500 was transferred to non-tax revenues.

Contractors' security deposits

This account was established to record contractors' securities that are required for the satisfactory performance of work in accordance with the Government Contracts Regulations.

Seized property—Cash

This account was established pursuant to the *Seized Property Management Act*, to record seized cash which is required to be held by the Minister of Public Works and Government Services until disbursement.

Halifax 1917 explosion pension account

This account was established by section 5(1) of the *Halifax Relief Commission Pension Continuation Act*, to provide for the continuation of pensions, grants and allowances following the dissolution of the Halifax Relief Commission.

Indian band funds

This account was established to record moneys belonging to Indian bands throughout Canada pursuant to sections 61 to 69 of the *Indian Act*.

TABLE 6.24

INDIAN BAND FUNDS—CAPITAL ACCOUNTS

	1996-97	1995-96
	\$	\$
Opening balance	791,770,726	790,393,204
RECEIPTS AND OTHER CREDITS—		
Oil royalties	31,061,676	18,362,696
Gas royalties	48,919,269	30,218,425
British Columbia agreement	21,748	93,894
Land and other claim settlements	3,078,096	450,000
Sundries	11,089,053	10,982,359
	94,169,842	60,107,374
	885,940,568	850,500,578
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution	6,464,042	6,504,848
Transfer pursuant to section 64 of the Indian Act	75,306,621	51,379,205
Sundries	1,224	845,799
	81,771,887	58,729,852
Closing balance	804,168,681	791,770,726

TABLE 6.25

INDIAN BAND FUNDS—REVENUE ACCOUNTS

	1996-97	1995-96
	\$	\$
Opening balance.....	120,515,205	121,915,706
RECEIPTS AND OTHER CREDITS—		
Government interest.....	65,520,648	69,872,909
Land and other claim settlements.....	1,299,451	2,165,949
Sundries.....	19,741,600	20,257,803
	86,561,699	92,296,661
	207,076,904	214,212,367
PAYMENTS AND OTHER CHARGES—		
Per capita cash distribution.....	1,916,402	1,068,336
Transfer pursuant to section 69 of the Indian Act.....	74,129,989	81,753,242
Sundries.....	9,314,292	10,875,584
	85,360,683	93,697,162
Closing balance.....	121,716,221	120,515,205

Indian estate accounts

These accounts were established to record moneys received and disbursed for estates of deceased Indians and mentally incompetent Indians pursuant to sections 42 to 51 of the *Indian Act*.

Indian savings accounts

These accounts were established to record moneys received and disbursed for individual Indians pursuant to sections 52 and 52.1 to 52.5 of the *Indian Act*.

Estates—Armed services

This account was established to record the service estates of deceased members of the Canadian Forces pursuant to section 42 of the *National Defence Act*. Net assets of estates are distributed to legal heirs under the administration of the Judge Advocate General, in his capacity as Director of Estates.

Scholastic awards

This account was established to record donations of \$26,000 to be used for the presentation of scholarship awards to children of employees of the Canadian Security Intelligence Service to encourage university studies.

Inmates' trust fund

Pursuant to section 111 of the Corrections and Conditional Release Regulations, this account is credited with moneys received from inmates at the time of incarceration, net earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, money earned through work while on day parole, and interest. Payments to assist in the reformation and rehabilitation of inmates are charged to this account.

Benefit trust fund

This account was established by section 23 of the *Royal Canadian Mounted Police Act*, to record moneys received by personnel of the Royal Canadian Mounted Police, in connection with the performance of duties, over and above their pay and allowances.

Administered trust accounts

Pursuant to section 41 of the *Pension Act* and section 15 of the *War Veterans Allowance Act*, these accounts are under the jurisdiction of the Department of Veterans Affairs. Moneys held in these accounts include: (a) pensions and war veterans allowances placed under the administration of the Department of Veterans Affairs; and, (b) benefits from other sources such as Old Age Security, Guaranteed Income Supplement or Canada Pension Plan, placed under administration with the consent of the client. These persons have demonstrated their inability to manage their own affairs.

Payments are made out of the accounts, to provide food, shelter, clothing, comforts and other necessities.

Estates fund

This account was established to record the proceeds from the estates of those veterans who died while receiving hospital treatment or institutional care, and for those veterans whose funds had been administered by the Government, in accordance with sections 5, 6 and 7 of the Veterans' Estates Regulations. Individual accounts are maintained and payments are made to beneficiaries pursuant to the Estates Regulations.

Veterans administration and welfare trust fund

This account was established to record donations, legacies, gifts, bequests, etc. received, to be disbursed for the benefit of veterans or their dependents under certain conditions, and for the benefit of patients in institutions, in accordance with section 9 of the Guardianship of Veterans' Property Regulations.

Other Specified Purpose Accounts

There are a number of other specified purpose accounts operated by the Government, such as insurance, death benefit and pension accounts. Certain accounts earn interest which is charged to interest on the public debt.

Table 6.26 presents a summary of the balances and transactions for all other specified purpose accounts.

TABLE 6.26
OTHER SPECIFIED PURPOSE ACCOUNTS

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Insurance and death benefit accounts—				
Finance—				
Office of the Superintendent of Financial Institutions—				
Civil service insurance fund	9,679,704	266,607	692,065	9,254,246
Insurance company liquidation		38,097,873		38,097,873
	9,679,704	38,364,480	692,065	47,352,119
National Defence—				
Regular forces death benefit account,				
Table 6.27	168,100,581	29,397,595	25,424,372	172,073,804
Treasury Board—				
Public Service death benefit account,				
Table 6.28	1,231,507,422	195,639,382	83,828,394	1,343,318,410
Veterans Affairs—				
Returned soldiers' insurance fund	209,576		23,756	185,820
Veterans insurance fund	15,446,916	407,003	1,272,099	14,581,820
	15,656,492	407,003	1,295,855	14,767,640
Total insurance and death benefit accounts	1,424,944,199	263,808,460	111,240,686	1,577,511,973
Pension accounts—				
Human Resources Development—				
Annuities agents' pension account	16,168	3,194		19,362
Solicitor General—				
Royal Canadian Mounted Police—				
Dependants' pension fund	26,318,649	2,655,138	1,401,106	27,572,681
Treasury Board—				
Locally engaged contributory pension				
account		209,958	209,958	
Total pension accounts	26,334,817	2,868,290	1,611,064	27,592,043
Other accounts—				
Agriculture and Agri-Food—				
Canada/Manitoba partnership				
agreement on municipal water				
infrastructure for rural economic				
diversification	1,303,154	9,935,350	10,034,604	1,203,900
Commodity Industry Development Fund—Province	10,576,208	2,107,544	3,528,571	9,155,181
Crops Sector Companion Program—				
Saskatchewan	131,072,965	85,000,000	106,532,697	109,540,268
Net Income Stabilization Account	875,597,640	625,964,748	310,860,203	1,190,702,185
Shared-cost agreements—				
Research	8,112,302	20,757,071	17,767,371	11,102,002
	1,026,662,269	743,764,713	448,723,446	1,321,703,536
Canadian Heritage—				
Mackenzie King trust account	288,815	16,290	18,540	286,565
Miscellaneous projects deposits	298,444	792,914	814,917	276,441
Shared-cost agreements—Conferences				
and training	9,419	4,427	4,414	9,432
Shared-cost/joint project agreements	91,900	30,000	103,886	18,014
Canadian Film Development				
Corporation—				
Advance account ⁽¹⁾	14,136,348	43,065,243	42,677,273	14,524,318
	14,824,926	43,908,874	43,619,030	15,114,770

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Continued*

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Environment—				
Miscellaneous projects deposits	4,039,201	4,091,940	5,366,105	2,765,036
Public participation funding program	179,285	110,000	166,819	122,466
	4,218,486	4,201,940	5,532,924	2,887,502
Finance—				
Common school funds—Ontario and Quebec	2,677,771			2,677,771
Foreign claims fund	179,020			179,020
Petro-Canada Limited—Cash reserve	2,732,780	87,990	11,882	2,808,888
War claims fund—World War II	4,236			4,236
	5,593,807	87,990	11,882	5,669,915
Fisheries and Oceans—				
Federal/provincial cost-sharing agreements	857,818	6,887,257	6,633,325	1,111,750
Miscellaneous projects deposits	3,699,264	9,093,164	6,505,629	6,286,799
Sales of seized assets	343,545	674,138	300,629	717,054
	4,900,627	16,654,559	13,439,583	8,115,603
Foreign Affairs and International Trade—				
Canada Foundation account	321,847	11,659	20,541	312,965
Less: securities held in trust	319,543	10,162		309,381
deposits in a special bank account	2,304	29,477	30,757	3,584
		51,298	51,298	
Financial assistance to Canadians abroad	196,929	1,175,326	1,133,865	238,390
Funds from non-governmental organizations	805,119	3,456,981	3,737,077	525,023
Paris air show	58,624	1,796	60,420	
Shared-cost projects	271,692	2,100,588	1,489,309	882,971
Canadian International Development Agency—				
Shared-cost projects—International conferences	11,922			11,922
NAFTA Secretariat, Canadian Section—				
Shared-cost agreements		32,528	32,528	
	1,344,286	6,785,989	6,471,969	1,658,306
Health—				
Canadian Sports Pool Corporation—Other outstanding liabilities	50,000			50,000
Collaborative research projects		253,696	116,056	137,640
Miscellaneous federal/provincial projects	745,529	4,858,961	5,288,093	316,397
Pan American Health Organization (SIREVA)	41,516	196,452	212,176	25,792
World Health Organization	119,189	59,059	29,095	149,153
Medical Research Council—				
Dyskinesia and torticollis reseach	81,286	2,878		84,164
	1,037,520	5,371,046	5,645,420	763,146
Human Resources Development—				
Fair wages suspense account	5,498	20,479	15,042	10,935
Federal/provincial shared-cost project	37,902	66,050	7,027	96,925
Federal/provincial shared-cost project—Interprovincial Computerized Examination Management System (ICEMS) ..	888,120	589,355		1,477,475
Labour standards suspense account	1,947,999	677,826	177,149	2,448,676
Summer employment experience development program		175,000	175,000	
	2,879,519	1,528,710	374,218	4,034,011
Indian Affairs and Northern Development—				
Fines—Indian Act	485,348	35,152	163,330	357,170
Indian agencies revenue trust bank accounts	133,953	4,244,932	4,306,671	72,214
Less: deposits in special bank accounts	133,953	4,244,932	4,306,671	72,214

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—Continued

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Indian band funds—				
Shares and certificates	20,000			20,000
Less: securities held in trust	20,000			20,000
Indian compensation funds	222,340			222,340
Indian moneys suspense account	20,351,941	14,635,233	11,205,455	23,781,719
Indian special accounts	941,758	565,138	250,572	1,256,324
1924 Ontario Lands Agreement	40,057	25,041	65,098	
Treaty Land Entitlement (Saskatchewan) Fund	22,041,444	12,706,210	12,706,210	25,617,553
		27,966,774	24,390,665	
Industry—				
Canada/Provinces Business Service Centre		400,000	400,000	
Income from securities in trust—Bankruptcy and Insolvency Act	42,581	375		42,956
Securities in trust—Bankruptcy and Insolvency Act	31,266			31,266
Less: securities held in trust	31,266			31,266
Shared-cost agreements—				
Conferences and training	172		172	
Shared-cost agreements—Tourism	243,005	362,100	413,642	191,463
Shared-cost/joint project agreements—Research	1,551,470	132,136	1,221,226	462,380
Shared-cost projects	219,328	352,333	283,926	287,735
Unclaimed dividends and undistributed assets—				
Bankruptcy and Insolvency Act	2,041,386	1,967,082	1,880,816	2,127,652
Canada Business Corporations Act	534,593	1,741,070	1,201,762	1,073,901
Winding-up Act	529,659			529,659
Atlantic Canada Opportunities Agency—				
Federal/provincial agreement—Advance account	6,526	512,985		519,511
Canadian Space Agency—				
Radarsat	481,310		31,606	449,704
National Research Council of Canada—				
Trust fund	9,648,918	13,047,737	12,209,325	10,487,330
Natural Sciences and Engineering Research Council—				
Trust fund	997,042	761,721	714,306	1,044,457
Social Sciences and Humanities Research Council—				
Queen's Fellowship fund	265,569	9,177	17,458	257,288
Trust fund	9,348	34,788	20,000	24,136
Statistics Canada—				
Project deposits	2,058,708	46,855,209	44,499,425	4,414,492
	18,629,615	65,776,713	62,493,664	21,912,664
Justice—				
Federal Court of Canada—				
Federal Court special account	6,515,308	21,757,302	5,210,011	23,062,599
National Defence—				
Foreign governments—				
United Kingdom—				
British Army—Suffield, Alberta	27,282,953	73,145,432	91,811,882	8,616,503
Wainwright, Alberta	2,119,230	5,550,481	5,722,306	1,947,405
Other activities	5,811,956	19,185,996	20,418,657	4,579,295
United States of America	240,784	1,136,445	1,343,327	33,902
Federal Republic of Germany—				
German Army—Shilo, Manitoba	(181,433)	33,783,353	26,766,490	6,835,430
Other activities	6,836,139	41,858,555	39,867,467	8,827,227
Netherlands	5,579,999	13,258,283	14,756,570	4,081,712
Non-government agencies	339,340	1,380,883	515,698	1,204,525
North Atlantic Treaty Organization (NATO)—				
Infrastructure projects	7,609,509	110,341	1,140,491	6,579,359
Provincial governments—Research projects	12,000		12,000	
	55,650,477	189,409,769	202,354,888	42,705,358

TABLE 6.26

OTHER SPECIFIED PURPOSE ACCOUNTS—*Concluded*

	April 1/1996	Receipts and other credits	Payments and other charges	March 31/1997
	\$	\$	\$	\$
Natural Resources—				
Atomic Energy of Canada Limited regional seismic monitoring station	1,692	26,281	27,973	
Continental geoscience division—Ontario Hydro	32,458			32,458
International Energy Agency—Implementing agreement	11,129		11,129	
Market development incentive payments—Alberta	12,546,012		2,704,856	9,841,156
Miscellaneous projects deposits	4,135,546	5,602,741	4,855,177	4,883,110
Newfoundland Offshore Revenue Account				
Nova Scotia Offshore Revenue Account				
Shared-cost agreements—Research	2,048,353	3,023,195	2,763,059	2,308,489
Shared-cost projects	1,909,326	3,607,755	3,168,558	2,348,523
	20,684,516	12,259,972	13,530,752	19,413,736
Public Works and Government Services—				
Francophone Summits	20,660	162,458	12,603	170,515
Interest on bonds—Insurance companies		68,256	68,256	
Military purchases excess funds deposit	68,685,103		29,683,515	39,001,588
Less: securities held in trust	68,685,103	29,683,515	29,683,515	39,001,588
Petro-Canada Enterprises Inc.—Shares	758,153		11,243	746,910
	778,813	29,914,229	29,775,617	917,425
Solicitor General—				
Joint research and development projects		187,244		187,244
Royal Canadian Mounted Police—				
Mounted Police Foundation	8,759	26,701	708	34,752
Seized assets—Canadian funds	2,704,929	6,127,463	6,562,127	2,270,265
Seized assets—US funds	8,711	39,693	52,814	(4,410)
Sponsorship Agreement—Contributions	175,000	250,000	36,358	388,642
	2,897,399	6,631,101	6,652,007	2,876,493
Treasury Board—				
Egypt-Canada Memorandum of Cooperation		10,000	550	9,450
Veterans Affairs—				
Army benevolent fund	108,092	44,012	49,425	102,679
Total	1,188,767,104	1,176,073,693	868,276,051	1,496,564,746
Less: consolidation adjustment ⁽¹⁾	14,136,348		397,652	14,534,000
Total other accounts	1,174,630,756	1,176,073,693	868,673,703	1,482,030,746
Total other specified purpose accounts	2,625,909,772	1,442,750,443	981,525,453	3,087,134,762

⁽¹⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Civil service insurance fund

This fund was established by the *Civil Service Insurance Act*, to provide life insurance coverage for civil servants who bought policies before 1955-56. The purchase of policies was discontinued in 1954-55, pursuant to section 62(2) of the *Public Service Superannuation Act*.

During the year, receipts and other credits consisted of premiums of \$7,961 and, an amount of \$258,646 (charged to expenditures) representing an adjustment to bring the balance in the fund into agreement with the actuarial valuation as at March 31, 1996. Payments and other charges consisted of death benefits, \$633,636; cash surrender value, \$26,824; annuities, \$31,557; and premium refunds, \$48.

Insurance company liquidation

This account was established to record receipts and disbursements resulting from the liquidation of the estate of Northumberland General Insurance Company.

Regular forces death benefit account

This account was established by the *Canadian Forces Superannuation Act*, to provide life insurance to contributing members of the Armed Forces. Receipts and other credits consist of: (a) contributions by participants; (b) Government's contribution paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*; (c) single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution; and, (d) interest.

Payments and other charges consist of: (a) benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; (b) benefits paid in respect of elective regular forces participants, to whom pensions were not payable under the *Canadian Forces Superannuation Act* or the *Defence Services Pension Continuation Act*, upon their retirement from the regular forces; and, (c) the portion of benefit payable for which a single premium has been paid by the Government.

TABLE 6.27

REGULAR FORCES DEATH BENEFIT ACCOUNT

	1996-97	1995-96
	\$	\$
Opening balance	168,100,581	164,813,704
RECEIPTS AND OTHER CREDITS—		
Contributions by personnel	10,024,503	9,993,645
Government's contribution	2,118,281	2,178,698
Single premiums payable by the Government in respect of regular forces participants who became entitled to a basic benefit of \$5,000 without contribution	632,090	588,070
Interest	16,622,721	16,654,642
	29,397,595	29,415,055
	197,498,176	194,228,759
PAYMENTS AND OTHER CHARGES—		
Benefits paid in respect of participants who, at the time of death, were members of the regular forces, or who were elective regular forces participants, to whom pensions were payable under the Canadian Forces Superannuation Act or the Defence Services Pension Continuation Act	25,424,372	26,128,178
Closing balance	172,073,804	168,100,581

Public Service death benefit account

This account was established under the *Public Service Superannuation Act*, to provide life insurance to contributing members of the Public Service.

The account is credited with: (a) contributions by employees; (b) contributions by the Government and Public Service corporations; and, (c) interest. Payments and other charges represent: (a) benefits paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*; and, (b) benefits of \$5,000 paid in respect of participants who, at the time of death, were employed in the Public Service, or were in receipt of an annuity under Part I of the *Public Service Superannuation Act*, and on whose behalf a single premium for \$5,000 death benefit coverage for life has been made.

TABLE 6.28

PUBLIC SERVICE DEATH BENEFIT ACCOUNT

	1996-97	1995-96
	\$	\$
Opening balance.....	1,231,507,422	1,123,252,332
RECEIPTS AND OTHER CREDITS—		
Contributions—		
Employees—		
Government and Public Service corporations	61,586,332	62,991,176
Government—		
General.....	5,367,269	5,115,162
Single premium for \$5,000	1,466,856	1,452,350
Public Service corporations.....	2,412,118	2,442,109
Interest	124,806,807	116,384,942
	195,639,382	188,385,739
	1,427,146,804	1,311,638,071
PAYMENTS AND OTHER CHARGES—		
Benefit payments—		
General.....	63,810,982	61,194,198
Life coverage of \$5,000.....	19,809,912	18,922,351
Other death benefit payments	207,500	14,100
	83,828,394	80,130,649
Closing balance	1,343,318,410	1,231,507,422

Returned soldiers' insurance fund

This fund was established by the *Returned Soldiers' Insurance Act*, to provide life insurance to contributing veterans of World War I. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial adjustment as at March 31, 1996 of \$8,503 was charged to the account during the year and was credited to revenues. The final date on which application for this insurance could have been received, was August 31, 1933.

Veterans insurance fund

This fund was established by the *Veterans' Insurance Act*, to provide life insurance to contributing veterans of World War II. The account is credited with premiums and is charged with disbursements for death benefits and cash surrender values. The account is actuarially maintained and an actuarial liability adjustment as at March 31, 1996 of \$348,523 was credited to the account during the year and was charged to expenditures. The final date on which application for this insurance could have been received, was October 31, 1968.

Annuities agents' pension account

This account was established by Vote 181, *Appropriation Act No. 1, 1961*, to provide pension benefits to former eligible Government employees who were engaged in selling Government annuities to the public.

Dependants' pension fund

This fund, which pertains to Part IV of the *Royal Canadian Mounted Police Pension Continuation Act*, provides pension benefits to certain widows and other dependants of contributing members of the Royal Canadian Mounted Police. The fund is credited with a 5 percent contribution from the pay of members of the Force (other than commissioned officers) who are subject to the *Pension Continuation Act*. There are no longer any active members amongst the contributors.

Locally engaged contributory pension account

This account, which pertains to Part II of the Locally Engaged Pension Regulations, provides pension benefits to locally employed Government employees who contributed to the plan. The account is credited with contributions from locally engaged employees, and charged with the subsequent payment of benefits.

Treasury Board approved the closure of the plan to new entrants effective December 31, 1988. There are now fewer than fifty members contributing to the plan.

Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification

This account was established to record advance payments received from the government of Manitoba and participating cities/towns for their share of the costs incurred under various projects. The projects involve making improvements to the water supply and waste treatment and disposal infrastructures of rural communities while preserving environmental quality. Money is paid out of the account as eligible billing costs are received.

Commodity Industry Development Fund—Province

This account was established to record contributions received from provincial governments equal to one-half of the premiums paid by the provinces under the National Tripartite Stabilization Program for Beef in its final year of operation, net of their contributions under the Net Income Stabilization Account Bridge Program. This account earns interest at the rate established by the Minister of Finance. Funds in the account are available for up to five years to be used for programs, projects and activities which include, but are not exclusive to research, technology transfer, promotion and market development but may not be used for direct support to producers or processors.

Crops Sector Companion Program—Saskatchewan

The Crops Sector Companion Program will provide additional assistance to Net Income Stabilization Account (NISA) participants in Saskatchewan, who produce eligible commodities, in the event of reduced farm cash receipts in the 1995 and 1996 calendar years. Payments will be made to producers if crop sector revenue falls below a guaranteed revenue target for each of the two years.

Under the Program, the federal Government and Saskatchewan will provide annual premium contributions of \$54.5 million and \$30.5 million, respectively for each of the two years.

In the event that triggered program payouts exceed the program funds available, the federal Government will make an additional contribution not exceeding \$50 million for the two-year period. Saskatchewan has also contributed an additional \$45 million, from its share of the Gross Revenue Insurance Program (GRIP) surplus.

Although the federal liability under the Program is capped at a maximum of \$159 million, the actual federal contributions are subject to payments being triggered. Any unused premium contributions at the conclusion of the Program will be refunded to the federal Government and to Saskatchewan in proportion to their respective contributions.

No payments will be triggered to producers for either the 1995 or 1996 calendar years based upon the calculation formula using annual farm cash receipts from Saskatchewan. An amendment to the agreement has been prepared for signature which directs how the monies paid into the account, plus interest earned and the \$50 million additional federal contribution would be paid out. The federal monies would be transferred to the Crop Reinsurance Fund of Canada for Saskatchewan and the provincial monies would be paid to Saskatchewan to reduce the deficit in the Crop Reinsurance Fund of Saskatchewan and to provide \$5 million as start-up funding for a New Crops Companion Program in 1997. Once these monies will be paid out, the account will then be closed.

This account records the Saskatchewan's share of the Program. The federal Government's share is reported in Table 4.6 (Section 4 of this volume).

Net Income Stabilization Account

This account was established by section 15 of the *Farm Income Protection Act* and the Federal/Provincial Agreement establishing the Net Income Stabilization Account Program, to help participating producers of qualifying agricultural commodities achieve long term improved income stability. The Program allows participants to deposit funds up to predetermined limits into either the Consolidated Revenue Fund or participating financial institutions, and receive a matching contribution from the federal and provincial governments. These funds are held on behalf of the participants.

The account records only the transactions relating to the Consolidated Revenue Fund as follows:

- (a) participant matchable deposits held in the Consolidated Revenue Fund. For the fiscal year ending March 31, 1997, participants deposits pertained, in most part, to the 1995 stabilization year (the period for which a participant filed a 1995 tax return). Participants are entitled to make matchable deposits based on

eligible net sales (ENS) which are limited to \$250,000 per individual. For the 1995 stabilization year, matchable deposits could be made up to 3 percent of the ENS for most qualifying commodities. Additional participant deposits were allowed by separate agreement between Canada and a province;

- (b) Government matching contributions on participant matchable deposits held in either the Consolidated Revenue Fund or participating financial institutions. For the 1995 stabilization year, the federal and provincial governments provided matching contributions equal to two thirds and one third, respectively of participant matchable deposits. Government contributions in addition to this were made under separate agreement between Canada and a province;
- (c) participant non-matchable deposits held in the Consolidated Revenue Fund, which are limited to an annual maximum of 20 percent of ENS (carried forward for up to five years);
- (d) interest paid by the federal Government on funds held in the Consolidated Revenue Fund, at rates and in accordance with terms and conditions determined by the Minister of Finance;
- (e) interest paid by participating financial institutions on funds held for participants, at rates set by negotiation between the participant and the financial institution;
- (f) bonus interest of 3 percent per annum, split between the federal and provincial governments, calculated on participant contributions; less,
- (g) withdrawals by participants from funds held in the Consolidated Revenue Fund (participants are entitled to make annual account withdrawals up to the amount allowed by the larger of two triggers (a stabilization trigger and a minimum income trigger).

Shared-cost agreements—Research—Agriculture and Agri-Food

This account was established to record amounts deposited by external parties for shared-cost research projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Mackenzie King trust account

The late The Right Hon W L Mackenzie King bequeathed Laurier House, Ottawa, and the sum of \$225,000, to the Government of Canada. The amount of \$225,000 was credited to the account. Interest computed, in accordance with the terms of section 3 of the *Laurier House Act*, is to be credited to the account at the end of each year, and charged to interest on the public debt. The interest is to be used to assist in the maintenance of the Laurier House, which is to be preserved as a place of historic interest, and also to provide accommodation for study and research.

Miscellaneous projects deposits—Canadian Heritage

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Shared-cost agreements—Conferences and training—Canadian Heritage

This account was established to record monies received from other governments and organizations for shared-cost agreements. Monies are disbursed on behalf of depositors as specific training is undertaken or conferences held.

Shared-cost/joint project agreements—Canadian Heritage

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Advance account—Canadian Film Development Corporation

This account was established pursuant to section 19 of the *Canadian Film Development Corporation Act*, to reserve for use in future years moneys generated by projects funded by Telefilm Canada, and which, due to timing, remained unreinvested at year end.

Miscellaneous projects deposits—Environment

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Public participation funding program

This account was established to record deposits received from provinces, territories or private organizations to provide funds to assist public participation on high level nuclear fuel waste in the Canadian Environmental Assessment Agency.

Common school funds—Ontario and Quebec

This account was established under *12 Victoria 1849*, Chapter 200, to record the proceeds from the sale of lands set apart for the support and maintenance of common schools in Upper and Lower Canada, now Ontario and Quebec. Interest of \$133,888, apportioned on the basis of population, is paid directly to these provinces on a semi-annual basis, at the rate of 5 percent per annum, and is charged to interest on the public debt.

Foreign claims fund

This account was established by Vote 22a, *Appropriation Act No. 9, 1966*, to record: (a) such part of the money received from the Custodian of Enemy Property, proceeds of the sale of property and the earnings of property, and, (b) all amounts received from governments of other countries pursuant to agreements entered into after April 1, 1966 relating to the settlement of Canadian claims, and also records payment of claims submitted, including payment of the expenses incurred in investigating and reporting on such claims.

Petro-Canada Limited—Cash reserve

This account was established to record cash received from Petro-Canada Limited to be used to pay expenses of Petro-Canada Limited and to cover shortfalls on interest and principal payments for Petro-Canada Limited debt.

War claims fund—World War II

This account was established by Vote 696, *Appropriation Act No. 4, 1952*, to record moneys received from the Custodian of Enemy Property or from other sources, and payments: (a) to eligible claimants for compensation in respect of World War II; (b) of a supplementary award amounting to 50 percent of the original award (PC 1958-1467, October 23, 1958); and, (c) of expenses incurred in investigating and reporting on claims.

A War Claims Commission was established to enquire into and report on claims made by Canadians arising out of World War II for which compensation may be paid from this or any other fund established for the purpose. The expenses of the Commission are chargeable hereto.

Federal/provincial cost-sharing agreements

This account was established to record the deposit of moneys received from the provinces for cost-shared programs according to official signed agreements.

Miscellaneous projects deposits—Fisheries and Oceans

This account was established to record contributions received from organizations and individuals, for the furtherance of research work.

Sales of seized assets

The account was established to record the proceeds of the sale of seized items by the Department of Fisheries and Oceans from a person contravening the *Fisheries Act*. Monies so received are held in the Consolidated Revenue Fund pending final resolution of the case by the Minister of Fisheries and Oceans or the courts.

Canada Foundation account

This account was established by Vote 6g, *Appropriation Act No. 2, 1967*, to record moneys received in connection with the Civilian Relief Agreement of 1950, and the Cultural Agreement of 1954 between Canada and Italy, and disbursements for the purposes of the said agreements.

Financial assistance to Canadians abroad

This account was established to record monies received from families or friends as prepayment for financial assistance to distressed Canadians abroad.

Funds from non-governmental organizations

This account was established to record monies received as prepayment for services to be performed by the Department of Foreign Affairs and International Trade on behalf of third parties.

Paris air show

This account was established to record moneys received from the private sector. These funds are used to help defray the costs of the Canadian Pavilion activities during the bi-annual Paris air show held in Paris, France.

Shared-cost projects—Foreign Affairs and International Trade

This account was established to record monies received from organizations outside the Government of Canada accounting entity for shared-cost projects.

Shared-cost projects—International conferences

This account was established to record deposits received and payments made in accordance with authorities for shared-cost projects concerning International Conference Agreements.

Shared-cost agreements—NAFTA Secretariat, Canadian Section

This account was established to record monies received from the United States and the Mexican Section of the NAFTA Secretariat, for the development of common information management systems.

Canadian Sports Pool Corporation—Other outstanding liabilities

This account was established to record moneys received at the dissolution of the Canadian Sports Pool Corporation which are to be used to pay any liabilities of the Corporation.

Collaborative research projects

This account was established to record funds received from client groups for cost shared and joint project research agreements.

Miscellaneous federal/provincial projects—Health

This account was established to record transactions relating to the provinces/territories share of costs incurred under federal/provincial cost-sharing agreements for joint federal/provincial projects in the areas of hospital administration, hospital facilities design and other related health issues.

Pan American Health Organization (SIREVA)

This account was established to enhance the epidemiological and laboratory infrastructure in the regions for the diagnosis and surveillance of *S.pneumoniae*. At the end of the project, the participating laboratories should have acquired the capability to design, conduct and analyze epidemiological field studies, in particular as they relate to defining the nature and magnitude of *S.pneumoniae*, and the epidemiological surveillance network in the Americas should have been strengthened.

World Health Organization

This account was established to record funds received from the World Health Organization, for scientific projects.

Dyskinesia and torticollis research

This account was established by section 5(3) of the *Medical Research Council Act*, to record a bequest of \$75,000 made by an anonymous donor, to establish a fund for research in the fields of dyskinesia and torticollis. The interest received is used for the payment of research grants. Other donations are also credited to this fund.

Fair wages suspense account

This account is operated under the authority of section 13 of the Fair Wages and Hours of Labour Regulations. Where an investigation in respect of a contract on Government works results in an award of wages, the amount received from the contractor is credited to this account, and is subsequently distributed to employees.

The account also records amounts received from departments and agencies, representing wages in respect of contracts, withheld from final payment to contractors.

Federal/provincial shared-cost project—Human Resources Development

This account was established to record the deposit of advance payments made by provinces towards the costs of projects and programs for which there is a cost-sharing agreement with the federal Government. Disbursements are made to pay the provinces' share of costs per official agreements or to refund unused amounts.

Federal/provincial shared-cost project— Interprovincial Computerized Examination Management System (ICEMS)

This account was established to record advance payments received from provincial governments to cover their share of the costs of the ICEMS Project. Advance payments are made pursuant to the ICEMS Framework Agreement. The cost incurred are charged to the account and any unexpended funds will be returned to provinces at the end of the project.

Labour standards suspense account

This account is operated under the authority of the Canada Labour Code, Part III, section 251, and the Canada Labour Standards Regulations section 23.

The account records:

- (a) funds received from employers as a result of assessments made by inspectors regarding underpayments of minimum wages, overtime, vacation pay, holiday pay, termination, severance or bereavement pay. The assessments are payable either directly to the employee, or to the Minister of Human Resources Development who is required to transmit the payment to the employee;
- (b) payments received from employers who are in arrears in paying their employees. Such amounts are repaid to employees; and,
- (c) wages received by the Minister of Human Resources Development from employers who cannot locate employees. Efforts are then made to locate employees.

Summer employment experience development program

The summer employment experience development program is jointly funded by the federal and provincial governments.

This account was established to record advance payments made by provinces against their share of the cost of projects, and held in trust pending disbursements to project sponsors.

Fines—Indian Act

Fines collected as defined in section 104 of the *Indian Act*, are credited to this account for the benefit of the bands or members of the bands. Expenditures may be made per the direction of the Governor in Council to cover certain costs in the administration or promotion of the purpose of the relative law.

Indian agencies revenue trust bank accounts

This account was established to record moneys held for Indians in authorized banks across Canada. These moneys include such items as deposits and payments on leases held for individual Indians, and those to be split between individual Indians and Indian bands.

Indian band funds—Shares and certificates

This account was established under the *Indian Act*, to record the historical value of Transalta Utilities Ltd shares received as compensation for a power line right-of-way on the Blood Indian reserve. These shares are held in the name of the Receiver General for Canada for the credit of the Blood Indian Band. Any dividends received are credited to the revenue account of the Blood Indian Band.

Indian compensation funds

This holding account was established to record moneys received from the sales of Indian lands and easement compensation where the title has not been cleared nor the land survey completed.

Indian moneys suspense account

This account was established to hold moneys received for individual Indians and bands, that cannot be disbursed to an Indian, or credited to an Indian Band Fund or Individual Trust Fund account, pending execution of the related lease, permit or licence, settlement of litigation, registration of the Indian or identification of the recipient.

Indian special accounts

Indian special accounts represent a number of non-interest bearing accounts which are maintained for specific purposes and include the following:

- (a) *Absent or missing heirs*—Assets in an estate to which a missing heir is entitled are held in this account.
- (b) *Abitibi fur reserve*—This account records moneys received from the sales of pelts trapped on reserves in the Abitibi District in Quebec, to defer charges for tallymen's wages, freight costs, etc.

1924 Ontario Lands Agreement

This account was established to record the Province of Ontario's share of the receipts from mineral activity on Indian reserves in accordance with the terms of the 1924 Ontario Lands Agreement. Payment of these funds to Indian bands is awaiting the reaching of an agreement between the bands entitled to the funds and the provincial government.

Treaty Land Entitlement (Saskatchewan) Fund

This account was established to record contributions and payments pertaining to settling of Saskatchewan Indian Nation's land claims. Interest credited on the Province of Saskatchewan deposits was charged to public debt while interest on federal contribution was charged to expenditures of the Department of Indian Affairs and Northern Development.

Canada/Provinces Business Service Centre

This account was established to record monies received from other provinces under cost-sharing agreements for the Canada-Ontario Business Service Centre.

Income from securities in trust—Bankruptcy and Insolvency Act

This account was established by sections 78, 84, 154 and 194 of the *Bankruptcy and Insolvency Act*, to record dividends paid on stocks originally held by a bankrupt stockbroker but subsequently sold to clients. As the stocks were not registered in the clients' names, the dividends must be paid to the last registered owner, in this case, the stockbroker. The dividends are forwarded to the Superintendent of Bankruptcy for safekeeping.

Securities in trust—Bankruptcy and Insolvency Act

This account was established by section 67 of the *Bankruptcy and Insolvency Act*, to record the value of securities originally held by a bankrupt stockbroker, on behalf of clients who have not been located.

Shared-cost agreements—Conferences and training—Industry

This account was established to record monies received from other governments and organizations for shared-cost agreements. Monies are disbursed on behalf of depositors as specific training is undertaken or conferences held.

During the year, the account was closed.

Shared-cost agreements—Tourism

This account was established to record amounts deposited by external parties for shared-cost projects. Moneys are disbursed on behalf of depositors as specific projects are undertaken.

Shared-cost/joint project agreements—Research

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Shared-cost projects—Industry

This account was established to record monies received from other governments and organizations in order to cover expenditures incurred under various shared-cost/joint project agreements.

Unclaimed dividends and undistributed assets—Bankruptcy and Insolvency Act

This account represents amounts credited to the Receiver General in accordance with the provisions of section 154 of the *Bankruptcy and Insolvency Act*, pending distribution to creditors.

Unclaimed dividends and undistributed assets—Canada Business Corporations Act

This account was established in accordance with sections 227 and 228 of the *Canada Business Corporations Act*, for the purpose of recording liabilities to creditors and shareholders who have not been located. The account is charged when funds are paid to them.

Unclaimed dividends and undistributed assets—Winding-up Act

This account records amounts credited to the Receiver General, in accordance with sections 138 and 139 of the *Winding-up Act*, pending distribution.

Federal/provincial agreement—Advance account

This account was established to record deposits from non-federal partners for their share of costs under various projects. Monies are disbursed on behalf of contributors as projects are undertaken. Unused funds are to be returned to contributors.

Radarsat

This account was established to record moneys received for both cost-sharing and advance payments for Radarsat scenes.

Trust fund—National Research Council of Canada

This account was established by the *National Research Council Act*, to record funds received from other governments and organizations outside the accounting entity, to cover expenditures made on their behalf.

Trust fund—Natural Sciences and Engineering Research Council

This account was established by the *Natural Sciences and Engineering Research Council Act (1978)* to record funds received from other governments and organizations, to cover expenditures made on their behalf, and to record the liability to other organizations.

Queen's Fellowship fund—Social Sciences and Humanities Research Council

This fund is an endowment of \$250,000 that was established by Vote 45a, *Appropriation Act No. 5, 1973-74*. The interest earned is used for the payment of fellowships to graduate students in certain fields of Canadian studies.

Trust fund—Social Sciences and Humanities Research Council

This account was established to record receipts and disbursements of funds available for social sciences and humanities research activities. The account is also used to record receipts of private donations and disbursements for the purpose of special projects.

Project deposits—Statistics Canada

This account was established to record deposits received from outside parties to secure payments for special statistical services.

Federal Court special account

This account was established to maintain accounts on behalf of litigants before the Court. These accounts record the moneys paid into the Federal Court of Canada, pursuant to an order of the Court, rules of the Court or statutes, to be held in trust pending payment of such moneys, in accordance with a judgment of the Court.

Foreign governments

These accounts were established to record funds received from foreign governments, to cover expenditures to be made on their behalf, in accordance with the provisions of agreements with the Government of Canada.

Non-government agencies

This account was established to record funds received for expenditures made on behalf of non-government agencies, for which specific accounts have not been established.

North Atlantic Treaty Organization (NATO)—Infrastructure projects

These accounts were established to record funds received from NATO to cover (a) NATO infrastructure projects implemented by Canada, and, (b) other expenditures to be made on NATO's behalf, in accordance with the terms of an agreement with the Government of Canada.

Provincial governments—Research projects

This account is maintained to record funds received from provincial governments, for expenditures to be made on their behalf.

During the year, the account was closed.

Atomic Energy of Canada Limited regional seismic monitoring station

This account was established to record funds received from Atomic Energy of Canada Limited, to accommodate the cost-sharing of expenses required to operate a network of regional seismic monitoring stations in the provinces of Ontario and Alberta.

Continental geoscience division—Ontario Hydro

This account was established to facilitate a cost sharing agreement between Natural Resources and Ontario Hydro to acquire, compile, process and interpret seismic reflection data recorded in Lake Ontario, Lake Erie, and Lake Huron.

International Energy Agency—Implementing agreement

This account was established to record funds for the cost-sharing of expenses between Canada, the United States, Japan, Sweden and Italy in respect to the International Energy Agency Implementing Agreement for a programme of research, development and demonstration on alcohol and alcohol blends as motor fuels.

During the year, the account was closed.

Market development incentive payments—Alberta

This account records moneys received from the Government of Alberta, to encourage the expansion of natural gas markets in Alberta and provinces to the East, in accordance with an agreement between the Government of Canada and the Government of Alberta dated September 1, 1981 and pursuant to section 39 of the *Energy Administration Act*. The original term of the agreement was from November 1, 1981 to January 31, 1987. As a result of the Western Accord of March 25, 1985, payments from the Government of Alberta terminated as at April 30, 1986, however, payments are being made from the account for the Natural Gas Vehicle Program, the Natural Gas Fuelling Station Program, and the Energy Efficiency and Alternative Energy Program through to March 31, 1998.

Miscellaneous projects deposits—Natural Resources

This account was established to record contributions received from organizations and individuals for the furtherance of forestry research work.

Newfoundland Offshore Revenue Account

This account was established pursuant to section 214 of the *Canada-Newfoundland Atlantic Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Newfoundland offshore area with the Province of Newfoundland. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Newfoundland are charged thereto.

Nova Scotia Offshore Revenue Account

This account was established pursuant to section 219 of the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* to facilitate the sharing of certain revenues accruing from oil and gas activities in the Nova Scotia offshore area with the Province of Nova Scotia. Certain offshore revenues (taxes, royalties and miscellaneous revenues) are credited to this account and subsequent payments to the Province of Nova Scotia are charged thereto.

Shared-cost agreements—Research—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private industries and other governments for joint projects or shared-cost research agreements.

Shared-cost projects—Natural Resources

This account was established to facilitate the retention and disbursement of moneys received from private organizations and other governments for cost-sharing scientific projects.

Francophone Summits

This account was established to record moneys granted since 1994 by the "Agence de coopération culturelle et technique" (Paris) for completing projects involving the industrialization of the French language and the promotion of new French terms in both scientific and technical fields.

Interest on bonds—Insurance companies

This account is credited with the proceeds from interest coupons on bonds deposited by insurance companies under the *Insurance Companies Act*. Debits represent the payment of the same interest to the insurance companies.

Military purchases excess funds deposit

This account was established by a written agreement between Canada and the United States, to record temporarily unutilized funds paid to the United States Government under contracts for purchases of military equipment. The funds are invested by the Federal Reserve Bank of New York to earn interest for the Government of Canada.

Petro-Canada Enterprises Inc—Shares

This account was established to record the liability to shareholders who have not presented their shares for payment.

Joint research and development projects

This account was established to record funds received to conduct joint research and development projects.

Mounted Police Foundation

This account was established to record funds received from the Mounted Police Foundation which will be used to cover expenditures related to community policing, educational, promotional and public relations projects throughout Canada.

Seized assets—Canadian funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

Seized assets—US funds

This account was established to record moneys seized during the course of investigations and drug seizures under the Criminal Code of Canada, the *Narcotic Control Act*, the *Food and Drug Act*, the *Customs Act* and the *Excise Act*. The funds are held pending Court decisions.

The debit balance in this account is the result of a processing delay and will be cleared in the new fiscal year.

Sponsorship Agreement—Contributions

This account was established to record funds contributed to the Royal Canadian Mounted Police pursuant to sponsorship agreements for use in community policing programs.

Egypt-Canada Memorandum of Cooperation

This account was established to facilitate funding of expenditures as outlined in the Egypt-Canada Memorandum of Cooperation.

Army benevolent fund

Pursuant to section 3 of the *Army Benevolent Fund Act*, this account was credited with certain canteen profits and other funds from World War II. Interest at the rate of 9.01 percent per annum is credited semi-annually for the period June 29, 1995 to June 28, 2000 on the minimum monthly balances.

Payments are made out of the fund to or for the benefit of World War II veterans or their dependents or the widows, children or other dependents of deceased veterans.

SUPPLEMENTARY STATEMENTS

Canada Pension Plan Account and the Canada Pension Plan Investment Fund

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following financial statements have been prepared by management of the Department of Human Resources Development in accordance with the accounting policies set out in Note 2 to the financial statements. The integrity and objectivity of the data and estimates in these financial statements are management's responsibility. Management is also responsible for all other information in the *Annual Report of the Canada Pension Plan* and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements of the Canada Pension Plan Account and the Canada Pension Plan Investment Fund.

In support of its responsibility, management has developed and maintains books of account, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, and to ensure that transactions are in accordance with the *Canada Pension Plan* (Act) and Regulations, as well as the *Financial Administration Act* and Regulations.

The Auditor General of Canada, the external auditor of the Canada Pension Plan, audits the financial statements and reports to the Minister of Human Resources Development.

MARCEL NOUVET
*Assistant Deputy Minister
Financial and Administrative Services*

MEL CAPPE
Deputy Minister

July 25, 1997

AUDITOR'S REPORT

TO THE MINISTER OF HUMAN RESOURCES DEVELOPMENT

I have audited the statement of revenue, expenditures and balance of the Canada Pension Plan Account and the statement of purchases, disposals and balance of the Canada Pension Plan Investment Fund for the year ended March 31, 1997. These financial statements are the responsibility of the management of the Department of Human Resources Development. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the balances of the Account and the Investment Fund as at March 31, 1997 and the revenue and expenditures of the Account and the purchases and disposals of the Investment Fund for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

I wish to draw to your attention that, as disclosed in Note 5, overpayments for disability pensions occur and the amount could be significantly higher than the amount estimated.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
July 25, 1997

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

CANADA PENSION PLAN ACCOUNT

STATEMENT OF REVENUE, EXPENDITURES AND BALANCE FOR THE YEAR ENDED MARCH 31, 1997

(in millions of dollars)

	1997	1996
Revenue		
Contributions (Note 3)	11,391	10,607
Interest (Note 4)	4,118	4,376
	15,509	14,983
Expenditures		
Pensions and benefits (Note 5)		
Retirement	11,179	10,531
Disability	2,512	2,538
Survivor	2,309	2,222
Disabled contributor's child	245	256
Death	234	230
Orphan	197	192
	16,676	15,969
Administration costs (Note 6)	242	219
	16,918	16,188
Excess of expenditures over revenue	(1,409)	(1,205)
Balance at beginning of year	39,168	40,373
Balance at end of year	37,759	39,168
Represented by:		
Canada Pension Plan		
Investment Fund	34,041	35,531
Deposit with the Receiver		
General for Canada	3,718	3,637
	37,759	39,168

Contingencies (Note 9)

The accompanying notes are an integral part of these financial statements.

Approved by the Department of Human Resources Development:

MARCEL NOUVET

Assistant Deputy Minister
Financial and Administrative Services

MEL CAPPE

Deputy Minister

**Canada Pension Plan Account and the Canada
Pension Plan Investment Fund—Continued**

CANADA PENSION PLAN INVESTMENT FUND

**STATEMENT OF PURCHASES, DISPOSALS AND BALANCE
FOR THE YEAR ENDED MARCH 31, 1997**
(in millions of dollars)

	Balance at beginning of year	Purchases	Disposals	Balance at end of year
Investment in securities (Note 7)				
Newfoundland.....	737		31	706
Prince Edward Island.....	162		6	156
Nova Scotia.....	1,337		60	1,277
New Brunswick.....	989		45	944
Quebec.....	119		8	111
Ontario.....	15,770		813	14,957
Manitoba.....	1,875		86	1,789
Saskatchewan.....	1,587		65	1,522
Alberta.....	4,476		141	4,335
British Columbia.....	4,997		224	4,773
Yukon Territory.....	4			4
	32,053		1,479	30,574
Canada.....	3,478		11	3,467
	35,531		1,490	34,041

The accompanying notes are an integral part of these financial statements.

Approved by the Department of Human Resources Development:

MARCEL NOUVET

Assistant Deputy Minister

Financial and Administrative Services

MEL CAPPE

Deputy Minister

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—*Continued*

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1997

1. Description of the Canada Pension Plan

(a) General

The Canada Pension Plan began in 1966. It is a compulsory and contributory social insurance program operating in all parts of Canada, except Quebec, which operates a comparable program. The Plan's objective is to provide a measure of protection to workers and their families against the loss of earnings due to retirement, disability or death.

(b) Establishment and authority

The Canada Pension Plan (CPP) is a federal/provincial plan established by act of Parliament in 1965.

The Minister of Human Resources Development is responsible for the administration of the act governing the Canada Pension Plan other than collecting contributions, which is the responsibility of the Minister of National Revenue. The Minister of Finance and his provincial counterparts are responsible for setting CPP contribution rates.

The Canada Pension Plan Account (the Account) was established in the accounts of Canada by the Act, to record the contributions, interest, pensions, benefits and administration costs of the Plan. The authority to spend is limited to the balance of the Account.

The Canada Pension Plan Investment Fund (the Fund) was established in the accounts of Canada by the Act, to record the investment in securities of provinces, territories and Canada.

The CPP, which is under joint control of the Government of Canada and participating provinces, is not considered to be part of the reporting entity of the Government of Canada. Accordingly, its financial activities are not consolidated with those of the Government.

(c) Financing

CPP is financed on a pay-as-you-go basis, which means that the Plan operates on a current basis with pensions and benefits being paid out of current contributions. The balance in the Account is planned, over time, to equal about twice the annual payments projected for the following year.

CPP is financed from contributions and interest earned by the Investment Fund. Contributions are paid equally by employers and employees. Self-employed workers pay the full amount.

From 1966 to 1986, the combined employer-employee contribution rate remained at 3.6 percent of pensionable earnings. In 1987, it was raised to 3.8 percent and has increased yearly by 0.2 percent to reach 5.6 percent in 1996. In 1997, the combined contribution rate was increased by 0.25 percent to reach 5.85 percent. The maximum combined contributions are \$1,786 for 1996 and \$1,890 for 1997.

The Fifteenth Actuarial Report of the Chief Actuary of the Office of the Superintendent of Financial Institutions was tabled in the House of Commons in February 1995. Discussions between the federal and provincial ministers of Finance followed, to determine the contribution rates for the next 25 years. Initiatives are currently underway to modify the act governing the CPP (see Note 8).

As stated in the Act, changes to contribution rates require the approval of at least two-thirds of the provinces having in the aggregate not less than two-thirds of the population of all included provinces.

(d) Pensions and benefits

Retirement pensions—A retirement pension is payable to each contributor at age 60 and over, according to the provisions of the Act. The monthly amount is equal to 25 percent of the contributor's average monthly pensionable earnings during the pensionable period. The amount may be reduced or increased depending upon whether the contributor applies for a retirement pension before or after age 65. This adjustment cannot exceed 30 percent. The maximum monthly pension payable at age 65 in 1997 is \$736.81.

Disability benefits—A disability benefit is payable to a contributor who is disabled, according to the provisions of the Act. The disability benefit to be paid includes a flat rate portion and an amount equal to 75 percent of the earned retirement pension. The maximum monthly disability benefit in 1997 is \$883.10.

Survivor's benefits—A survivor's benefit is payable to the surviving spouse of a deceased contributor, according to the provisions of the Act. For a spouse under the age of 65, the benefit consists of a flat-rate portion and an amount equal to 37.5 percent of the deceased contributor's earned retirement pension. A surviving spouse between the ages of 35 and 45 who is not disabled or who has no dependent children receives reduced benefits. For spouses aged 65 and over, the benefit is equal to 60 percent of the retirement pension granted to the deceased contributor. The maximum monthly benefit payable to a surviving spouse in 1997 is \$442.79.

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1997—Continued

Disabled contributor's child and orphan benefits—According to the Act, each child of a contributor who is receiving disability benefits or who died is entitled to a benefit as long as the child is under the age of 18, or is between 18 and 25 and attending school full-time. The flat-rate monthly benefit in 1997 is \$166.63.

Death benefits—According to the Act, a death benefit is a one-time payment to, or on behalf of, the estate of a contributor. The benefit amounts to either 10 percent of the maximum pensionable earnings in the year of death or six times the monthly retirement pension granted to the deceased contributor, whichever is less. The maximum death benefit in 1997 is \$3,580.

Pensions and benefits indexation—As required by the Act, pensions and benefits are indexed annually based on the Consumer Price Index for Canada. The rate of indexation for 1997 is 1.5 percent.

2. Accounting policies

The financial transactions affecting the Account and the Fund are governed by the act governing the *Canada Pension Plan* and its regulations.

The Act does not require that the pensions and benefits be prefunded. Accordingly, the financial statements do not provide information on the adequacy of the balance in the CPP Account to meet, on an actuarial basis, the future obligations of the CPP.

(a) Canada Pension Plan Account

Contributions are recorded when funds are received from Revenue Canada. As stated in Note 3, funds transferred by Revenue Canada are estimated and are subject to review and adjustments. Adjustments, if any, are recorded as contribution revenue in the year the funds are received or reimbursed.

Interest revenues are recorded when received.

Pensions and benefits are recorded when paid.

Administration costs are recorded on a modified cash basis of accounting. This basis of accounting allows the recording of amounts paid in a specific period after year-end.

(b) Canada Pension Plan Investment Fund

Securities are shown at cost, which is equal to the face value at the time of purchase.

3. Contributions

The Department of Finance estimates annual contributions based on an estimate of pensionable earnings. The calculation of pensionable earnings is based on a formula using many factors such as the growth in the number of contributors and in the average pensionable earnings. Although the Department of Finance uses recent data and statistics in the calculation, a variation may occur in the factors used to estimate the pensionable earnings. For example, a variation of one percentage point in the number of contributors or in the average pensionable earnings for 1996, would result, in each case, in a change of \$115 million in estimated contributions.

Revenue Canada transfers contributions to CPP based on the Department of Finance's estimate of contributions to be collected for a calendar year as well as its own contribution collection schedule for the year. Actual pensionable earning and contribution amounts for 1996 and 1997 will only be known once Revenue Canada has processed all employers' and self-employed workers' declarations of contributions for 1996 and 1997.

Adjustments, if any, are recorded in the year in which the funds are received or reimbursed. The reimbursements for 1995 and preceding years, paid in 1996-97, amounted to \$304 million (reimbursement of \$359 million in 1995-96).

4. Interest

	1997	1996
	(in millions of dollars)	
Interest on investment in long term securities		
Provinces and Yukon Territory ..	3,572	3,703
Canada	355	356
	3,927	4,059
Interest on short term investments (3 month term) with Canada	13	23
Interest on deposit with the Receiver General for Canada, at a weighted-average rate of 3.85 percent (6.53 percent in 1995-96)	178	294
	4,118	4,376

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1997—Continued

5. Pension and benefit mispayments

Given the nature of the Plan and the number of applicants and beneficiaries, from time to time overpayments and underpayments of pension and benefit payouts may be made. Such "mispayments" occur more frequently for disability benefits. There is greater subjectivity in the adjudication of these applications and, once accepted, beneficiaries must continue to meet the eligibility criteria.

The CPP management periodically undertakes studies of the extent and causes of pension and benefit mispayments. A study, which is almost completed for the 1995 CPP payment year, estimated through statistical extrapolation the most likely value of undetected mispayments at \$38 million: underpayments of \$12 million and overpayments of \$26 million (\$11 and \$15 million respectively for 1994 payouts). Disability mispayments, which account for most of the CPP estimate, have a most likely mispayment value of \$22 million: underpayments of \$7 million and overpayments of \$15 million (\$7 and \$14 million respectively for 1994 payouts).

For the next study, CPP management plans to implement procedures to improve the assessment of medical information in determining the continuing eligibility for disability benefits. CPP management is also attempting to identify a practical means of verifying initial medical decisions on accounts which have been in pay for many years. Since these factors were not fully assessed in the study on 1995 payouts, the extent of the overpayment for 1995 disability benefit payouts could be significantly higher than \$15 million (\$14 million for 1994 payouts).

Additional management controls designed to reduce the occurrence of overpayments are being implemented.

Under the Act, when pension and benefit overpayments occur, CPP management is required to recover the amount from the beneficiary or seek approval for write-off. As CPP management is unable to fully identify overpayments, it cannot record, control and collect the potential accounts receivable from recipients.

6. Administration costs

	1997	1996
	(in millions of dollars)	
Pension and benefit delivery and corporate services (Human Resources Development Canada)	143	135
Collection of contributions (Revenue Canada)	70	61
Cheque issue and computer services (Public Works and Government Services Canada)	15	16
Accommodation (Public Works and Government Services Canada)	13	6
Actuarial services (Office of the Superintendent of Financial Institutions)	1	1
	<u>242</u>	<u>219</u>

Administration costs of the Account represent the cost of services received from a number of federal government departments and an agency. Those costs are charged to the Account in accordance with memoranda of understanding.

The costs for pension and benefit delivery charged to the Account by Human Resources Development Canada include \$23.0 million (\$29.1 million in 1995-96) for the Income Security Programs redesign project. At March 31, 1997 the cumulative charges to the Account for this project amounted to \$99.3 million. Based on the currently approved project baseline, the Account's share of the total cost of the project is estimated to be \$143.2 million and the planned implementation date is January 1998. However, a major replanning exercise is currently underway which will require changes to the schedule and cost. As well, an independent risk assessment is being conducted. The outcome of both activities should be known by the end of September 1997.

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—Continued

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1997—Continued

7. Investment in securities

The amounts invested in securities constitute the Canada Pension Plan Investment Fund. Investments in provincial, territorial and federal government securities are made with the cash on hand in excess of the three-month operating requirement. As required by the Act, the amount made available to each province is proportional to the total contributions made by residents of each province and territory during the previous 10-year period. Funds not borrowed by the provinces and territories are invested in federal securities. The securities of Quebec relate to the contributions of certain federal employees residing in Quebec.

All securities are non-negotiable and have a 20-year term or less as fixed by the Minister of Finance on the recommendation of the Chief Actuary of the Office of the Superintendent of Financial Institutions. The interest rate on the securities is determined by the Minister of Finance based on the average yield to maturity of all outstanding Government of Canada obligations with terms of 20 years or more. All disposals of securities are made, at maturity date, at face value. Interest earned on the investments is credited semi-annually to the Account. In 1996-97, there were no funds available for long-term investment in provincial and territorial securities.

At March 31, 1997, the balance in the Investment Fund was \$34.0 billion. The following schedule presents the classification of securities by maturity dates and the weighted average annual rate of return on securities currently held. Due to redemption terms described above, the carrying value of these investments approximate fair value at year end.

(in millions of dollars)

Investment maturing	March 31, 1997		March 31, 1996	
	Investment	Average yield	Investment	Average yield
Long term investments:				
Within 1 year	1,582	9.08%	1,490	9.01%
1 to 5 years	7,935	12.27%	5,175	14.58%
Over 5 years	<u>24,524</u>	11.06%	<u>28,866</u>	10.66%
Total—Long term investments	<u>34,041</u>		<u>35,531</u>	
Weighted average yield on long term investments		11.25%		11.16%

Canada Pension Plan Account and the Canada Pension Plan Investment Fund—*Concluded*

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1997—*Concluded*

8. Proposed changes to reform the CPP

During 1996-97, the federal and provincial ministers of Finance discussed changes to introduce to CPP in order to ensure that the Plan remains sustainable over the long term and to allow fuller funding. Proposed changes to reform the CPP include a more rapid increase in contribution rates, a new investment policy, as well as changes to calculations of, and eligibility criteria to, some benefits.

To be implemented, these changes must be voted by Parliament and receive the official approval of at least two-thirds of the provinces having in the aggregate not less than two-thirds of the population of all included provinces. At the time these financial statements were finalized, draft legislation modifying the Canada Pension Plan had been tabled before the House of Commons.

9. Contingencies

At March 31, 1997, there were 26,131 (15,231 in 1996) appeals relating to the payment of CPP pensions and benefits. Claims for these appeals could reach a maximum of \$31 million (\$26 million in 1996).

A number of persons who have not applied for a disability benefit, but who are potentially eligible, are being assisted by their respective provinces to secure their entitlement. Estimated unpaid retroactive entitlements related to these potential claims at March 31, 1997 amount to \$22 million (\$19 million in 1996).

Any claim resulting from the resolution of these appeals or from retroactive entitlements will be accounted for as an expenditure of the period in which the claim is paid.

Government Annuities Account

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1997
WERE NOT AVAILABLE AT DATE OF PRINTING

Royal Canadian Mounted Police (Dependants) Pension Plan

MANAGEMENT REPORT

The management of the Royal Canadian Mounted Police (Dependants) Pension Plan is responsible for the preparation of the financial statements. These financial statements have been prepared in accordance with generally accepted accounting principles. They include estimates that reflect management's best judgements.

Management is also responsible for developing and maintaining a system of internal control designed to provide reasonable assurance that all transactions are accurately recorded and that they comply with the relevant authorities, that the financial statements report the Plan's results of operations and financial situation and that its assets are safeguarded.

The Auditor General of Canada conducts an independent audit and expresses an opinion on the financial statements.

BENOIT LALONDE

Manager

*Public Works and Government Services Canada
RCMP Specialized Services*

J.R.H. BEAULAC

Acting Commissioner

Royal Canadian Mounted Police

June 16, 1997

AUDITOR'S REPORT

TO THE SOLICITOR GENERAL OF CANADA

I have audited the statement of net assets available for benefits of the Royal Canadian Mounted Police (Dependants) Pension Plan as at March 31, 1997 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1997 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 16, 1997

Royal Canadian Mounted Police (Dependants) Pension Plan—Continued

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT MARCH 31, 1997

	1997	1996
	\$	\$
Net assets available for benefits		
Due from the Consolidated Revenue Fund	27,572,681	26,318,649

See accompanying notes to the financial statements.

Approved:

BENOIT LALONDE

Manager
Public Works and Government Services Canada
RCMP Specialized Services

J.R.H. BEAULAC

Acting Commissioner

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED MARCH 31, 1997

	1997	1996
	\$	\$
Increase in assets		
Interest income on amount due from the Consolidated Revenue Fund	2,624,931	2,566,356
Contributions from participants	14,646	15,195
Total increase in assets	2,639,577	2,581,551
Decrease in assets		
Benefits payments:		
Widows and children	1,385,545	1,308,931
Lump sum		165,588
Total decrease in assets	1,385,545	1,474,519
Increase in net assets	1,254,032	1,107,032
Net assets available for benefits at beginning of year	26,318,649	25,211,617
Net assets available for benefits at end of year	27,572,681	26,318,649

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1997

1. Description of the plan

The following brief description of the Royal Canadian Mounted Police (Dependants) Pension Plan is for general information only. For more complete information, reference should be made to the *Royal Canadian Mounted Police Pension Continuation Act* (the Act). All monetary transactions of the Plan are made through a specified purpose account in the Consolidated Revenue Fund (CRF).

(a) General

The Royal Canadian Mounted Police (Dependants) Pension Plan was established in 1934 pursuant to the *Royal Canadian Mounted Police Act* and is currently operated under Part IV of the *Royal Canadian Mounted Police Pension Continuation Act* (effective 1959) and the related Regulations.

The Act provides for members of the Force, other than commissioned officers, appointed before March 1, 1949, to purchase certain survivorship benefits for their dependants by payment of specified contributions.

(b) Funding policy

All eligible members have now retired and, as such, there are no more active members contributing to the Plan; however, about one-third of the retired members are still making instalment payments in respect of previous elections made before their retirement.

The Act directs the Minister of Finance to have an actuarial valuation of the Plan prepared at least every 5 years. If the actuarial valuation discloses a surplus, the Governor in Council may, by order, increase pensions. If there is an actuarial deficiency, the Governor in Council may direct that there be credited to the Plan, out of any unappropriated moneys in the Consolidated Revenue Fund, such amount as may be required to re-establish solvency of the Plan.

(c) Government contributions

So far the Government of Canada has not made, and has not been required to make, any contributions to the Plan as a guarantor of its solvency. However, the Government of Canada credits the Plan with interest computed quarterly on the balance of the due from the Consolidated Revenue Fund at the end of the preceding quarter. The interest income corresponds to an annual rate of return of approximately 10.3 percent in 1997 (1996—10.5 percent).

Royal Canadian Mounted Police (Dependants) Pension Plan—Continued

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1997—Continued

(d) Basic death benefits

The following benefits, as applicable, are payable on the death of a member who has made the scheduled contributions and has left them in the Plan.

i) Widows' pensions

The widow is entitled to the pension by the member. In many cases the pension equals approximately 1.5 percent of the member's final pay multiplied by his years of credited service. The pension is payable for life with a guarantee that the total payments shall be no less than the member's contributions.

ii) Eligible children's annuities

An annuity, not exceeding 7 percent of the member's final pay, is payable to each surviving child eligible in accordance with the provisions of the Act at that time. If there is no surviving widow or if the widow dies before the child's annuity ceases, the amount of the annuity doubles.

iii) Lump sum benefits

If a member is not survived by a widow, a lump sum payment is made to the dependants and relatives of the member who are, in the opinion of the Minister, best entitled to share the benefit. The lump sum amount is equal to the actuarial present value of a pension to a hypothetical surviving widow 20 years older than the member at his death, but not exceeding 75 years of age.

iv) Benefit limitations

Under certain circumstances, the basic death benefits payable to a surviving widow are reduced. This can occur when a member marries after age 60; in that case, the value of the pension to the widow cannot exceed the lump sum payable if he were not survived by a widow.

(e) Dividends on death benefits

The Act also provides that if the Plan is substantially in excess of the amount required to make adequate provision for the prospective payments to be made out of it, the Governor in Council may, by order, increase the benefits provided under Part IV in such manner as may appear equitable and expedient.

To date, most of these benefit increases have taken the form of proportionate dividends applied to all basic death benefits, both accrued and prospective. As a result, the pension payments made in the year included an increase of 620 percent (565 percent in 1996) of the basic pension amount.

(f) Withdrawal of contributions

A retired member who did not elect to withdraw his contributions from the Plan upon retirement retains the right to do so at any time thereafter; however, all his rights under Part IV and those of his dependants shall cease upon such election.

All returns of contributions are made without interest.

2. Significant accounting policies

(a) Basis of presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members.

(b) Increases and decreases in assets are recorded on the accrual basis. Because assets due from the Consolidated Revenue Fund are short term cash equivalents, the carrying value approximates fair value.

(c) Services provided without charge

The Plan does not record the value of administrative services it receives without charge from various government departments and agencies. These services include the following:

- management and other support services from the Royal Canadian Mounted Police;
- actuarial valuation and other services from the Office of the Superintendent of Financial Institutions;
- accounting and cheque issue from Public Works and Government Services Canada; and,
- audit from the Office of the Auditor General.

Royal Canadian Mounted Police (Dependants)**Pension Plan—Concluded**

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1997—Concluded

3. Obligations for pension benefits

The most recent statutory actuarial valuation was made as at March 31, 1994 by the Director, Public Pensions Section of the Office of the Superintendent of Financial Institutions. The valuation disclosed an actuarial surplus of \$8,826,000. A portion of this surplus, estimated at \$3,008,000, was to be distributed by increases in the basic pension amount of 55 percent a year effective April 1, 1995, April 1, 1996 and April 1, 1997. A further \$111,000 was used to increase lump sum benefit payments.

The remaining \$5,707,000 balance of the actuarial surplus was intended to be used over the remaining life of the Plan for the payment of increases (averaging 4.2 percent annually) in the pension benefits. The average age of the members and widows was estimated to be 73 and 75 years respectively as at March 31, 1994. The expected average remaining lifetime of the widows was about 13 years. The remaining lifetime of the Plan itself was estimated at 42 years.

The obligations for pension benefits are determined on an actuarial basis and incorporate the actuary's best estimates of future plan yields, mortality rates, proportion of members married, and age of new widows. The current plan yield of 10.3 percent per annum is consistent with the estimated yield used in the actuarial valuation (10.2 percent). The expected long-term plan yield is estimated to decline to 6 percent per annum by the year 2018. Variations in any of these assumptions can result in a significantly higher, or lower, estimate of the liability.

The results of the 1994 valuation were extrapolated to March 31, 1997. The actuarial present value of accrued pension benefits as at March 31, 1997 (net of an \$85,000 deduction (\$90,000 in 1996) representing the present value of participants' future instalment payments) and the principal components of changes in the actuarial present value during the year were estimated as follows:

	1997	1996
	(in thousands of dollars)	
Actuarial present value of accrued pension benefits at beginning of year	19,266	18,874
Net interest accrued on benefits	1,860	1,852
Contributions from participants (instalment payments)	15	15
Benefits payments	(1,386)	(1,475)
Actuarial present value of accrued pension benefits at end of year	19,755	19,266

SECTION 7

1996-97

PUBLIC ACCOUNTS OF CANADA

Current Assets

CONTENTS

	<i>Page</i>
Cash in bank	7.3
Cash in transit	7.4
Outstanding cheques and warrants	7.5
Accounts receivable.....	7.6

CURRENT ASSETS

This section contains information on accounts reported on the Statement of Assets and Liabilities under "Current Assets".

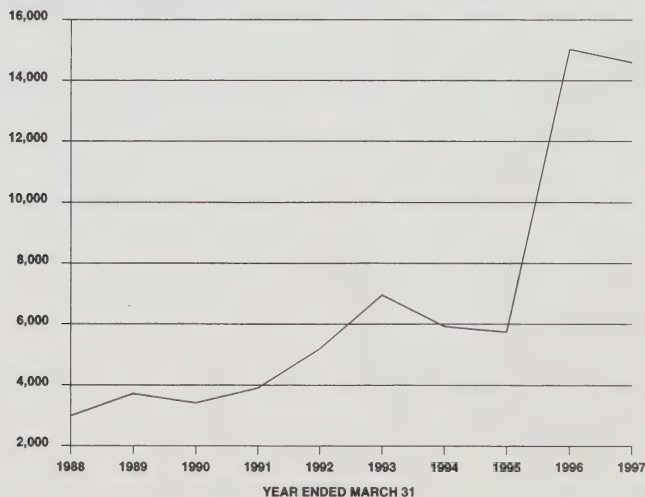
Table 7.1 presents the year-end balances of current assets by category. Chart 7A compares current assets for the last ten fiscal years.

Most tables in this section present the continuity of accounts, by showing the opening and closing balances. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 7.1
CURRENT ASSETS

	April 1/1996	March 31/1997
	\$	\$
Cash in bank, Table 7.2	8,554,728,202	9,365,873,897
Cash in transit, Table 7.5	4,189,177,951	4,062,353,132
	12,743,906,153	13,428,227,029
Less: outstanding cheques and warrants, Table 7.6	3,700,279,258	3,252,759,741
Total cash	9,043,626,895	10,175,467,288
Accounts receivable, Table 7.7	5,972,714,000	4,415,573,000
Total	15,016,340,895	14,591,040,288

CHART 7A
CURRENT ASSETS
(in millions of dollars)



Cash in Bank

This account records public moneys on deposit at March 31, to the credit of the Receiver General for Canada, with the Bank of Canada, chartered banks and other financial institutions.

The cash position of the Government is affected not only by budgetary transactions, but also by non-budgetary, foreign exchange and unmatured debt transactions, all of which must be taken into account when considering the full scope of the Government's financial operations.

Table 7.2 presents a summary of the balances in current and special Receiver General deposits.

The year-end balances denominated in foreign currencies have been translated into Canadian dollar equivalents at year-end closing rates of exchange. Foreign currencies held include United Kingdom pounds sterling, United States dollars, Belgian, Swiss and French francs, and German marks.

TABLE 7.2
CASH IN BANK

	April 1/1996	March 31/1997
	\$	\$
Receiver General—		
Current deposits—		
Canadian currency, Table 7.3	8,479,205,366	9,253,539,750
Foreign currencies, Table 7.4	71,597,603	111,336,269
Special deposits	3,925,233	997,878
Total	8,554,728,202	9,365,873,897

Receiver General current deposits

The monthly comparative balances of Canadian and foreign currency deposits are presented in the following tables:

TABLE 7.3
CANADIAN CURRENCY DEPOSITS

(in millions of dollars)

At end of month of	Year ended March 31	
	1997	1996
April	1,896	549
May	2,981	3,563
June	2,358	2,289
July	4,731	6,193
August	4,207	2,707
September	4,207	7,115
October	2,662	8,930
November	3,659	7,202
December	5,152	6,405
January	2,042	3,032
February	4,862	5,298
March	9,254	8,479

TABLE 7.4
FOREIGN CURRENCY DEPOSITS
(translated into Canadian dollars)

(in millions of dollars)

At end of month of	Year ended March 31	
	1997	1996
April	34	(22)
May	15	34
June	31	16
July	30	24
August	20	22
September	40	36
October	7	20
November	3	16
December	11	38
January	47	42
February	13	21
March	111	72

Receiver General special deposits

These are balances in the hands of fiscal agents of the Government, for the purchase or redemption of Government securities, and for the payment of interest.

Cash in Transit

Table 7.5 presents a summary of the balances for cash in transit. This category of accounts records amounts which are reported in the financial statements, but which were not deposited in the Consolidated Revenue Fund or other bank accounts until after March 31.

TABLE 7.5
CASH IN TRANSIT

	April 1/1996	March 31/1997
	\$	\$
Cash in hands of collectors and in transit	3,889,170,553	3,764,791,345
Moneys received after March 31 but applicable to the current year	156,319,398	79,932,787
Less: portion transferred to accounts receivable—Other receivables	155,656,000	79,855,000
	663,398	77,787
Other cash—Consolidated Crown corporations ⁽¹⁾	299,344,000	297,484,000
Total	4,189,177,951	4,062,353,132

⁽¹⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Cash in hands of collectors and in transit

This account records public moneys received by public officers prior to April 1, but not deposited to the credit of the Receiver General for Canada in the Bank of Canada, before that date.

Moneys received after March 31 but applicable to the current year

Public moneys received after March 31, but applicable to the year just ended, are recorded in this account.

This account includes receipts to be credited to asset, liability and (in exceptional cases) tax revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

Other cash—Consolidated Crown corporations

This account records the cash position of the consolidated Crown corporations. These funds are not public moneys to the credit of the Receiver General for Canada but are for the exclusive use of these Crown corporations.

Outstanding Cheques and Warrants

This account records cheques and warrants issued but not yet presented for payment.

Table 7.6 presents a summary of the balances for outstanding cheques and warrants.

TABLE 7.6
OUTSTANDING CHEQUES AND WARRANTS

	April 1/1996	March 31/1997
	\$	\$
Outstanding cheques	3,398,079,826	3,016,169,403
Imprest account cheques	213,884	467,994
Employment insurance warrants	301,985,548	236,122,344
Total	3,700,279,258	3,252,759,741

Outstanding cheques

Cheques issued in Canadian dollars, and unpaid at March 31, are recorded in this account. Cheques outstanding for 10 years are transferred to non-tax revenues. During the year, an amount of \$11,572,214 was transferred to non-tax revenues.

Cheques in foreign currencies are credited to the Government's cash account at the time of issue.

Imprest account cheques

Imprest account cheques issued and unpaid at March 31, with the exception of those outstanding for 10 years or more (which have been transferred to non-tax revenues), are recorded in this account. During the year, an amount of \$1,140,613 was transferred to non-tax revenues.

Employment insurance warrants

This account records outstanding employment insurance benefit warrants.

Accounts Receivable

Accounts receivable represent billed (but uncollected) and unbilled or accrued financial claims arising from amounts owed to a Government body for use of its assets, or from the proceeds for provision of services as of March 31, 1997. Non-tax revenues and revenues netted against expenditures are accounted for in the period the transactions or events give rise to the revenues.

Accounts receivable written off or forgiven are included in Section 3 of Volume II Part II (Statement of debts, obligations and claims written off or forgiven).

Accounts receivable for tax revenues are not recorded in the accounts of Canada. However, these amounts are reported on a memorandum basis and details of the balances are included in Section 4 of Volume II Part II.

Table 7.7 presents a summary of the balances for accounts receivable.

TABLE 7.7
ACCOUNTS RECEIVABLE

	April 1/1996	March 31/1997
	\$	\$
Non-tax revenues and revenues netted against expenditures ⁽¹⁾	3,569,600,000	4,046,271,000
Other receivables	155,656,000	79,855,000
Receivables from the sale of investments	1,954,000,000	
Accounts receivable of consolidated Crown corporations ⁽²⁾	293,458,000	289,447,000
Total	5,972,714,000	4,415,573,000

⁽¹⁾ Non-tax revenues and revenues netted against expenditures are net of an allowance for doubtful accounts of \$2,246 million for 1997 (\$2,005 million for 1996).

⁽²⁾ Additional information on the consolidated Crown corporations is provided in Section 4 of this volume.

Non-tax revenues and revenues netted against expenditures

This account records accrued financial claims owed to the Government and arising from non-tax revenues and revenues netted against expenditures. These receivables are accounted for in the period in which the transactions or events occurred.

Other receivables

This account records public moneys received after March 31, but applicable to the year just ended. It includes refunds of old year expenditures received prior to the closing of the accounts, and receipts to be credited to non-tax revenue accounts, where the omission of the credits in the old year would tend to make the accounting incomplete or inconsistent.

Receivables from the sale of investments

This account recorded amounts receivable from the disposal of the Government's investment in the Canadian National Railway Company (CN) and Petro-Canada. As of March 31, 1997, these amounts have been received.

Accounts receivable of consolidated Crown corporations

This account records the financial claims of consolidated Crown corporations.

Table 7.8 presents disclosure of information related to long-term accounts receivable for non-tax revenues and revenues netted against expenditures. A long-term account receivable is defined as an account receivable where settlement is not due for at least 12 months following March 31, 1997.

TABLE 7.8

LONG-TERM ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES NETTED AGAINST EXPENDITURES

(in thousands of dollars)

Categories of accounts receivable	1997		1996	
	Gross accounts receivable	Allowance for doubtful accounts	Net accounts receivable	Net accounts receivable
Non-tax revenues—				
Return on investments	612,079	167,072	445,007	464,585
Refunds of previous years' expenditures	928,255	286,454	641,801	616,207
Privileges, licences and permits	1,559		1,559	2,093
Miscellaneous				3,149
Revenues netted against expenditures				3
Total long-term accounts receivable	1,541,893	453,526	1,088,367	1,086,037

Table 7.9 presents the aging for non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts) for the period over which claims at March 31, 1997 have been outstanding.

TABLE 7.9

AGING OF ACCOUNTS RECEIVABLE FOR NON-TAX REVENUES AND REVENUES NETTED AGAINST EXPENDITURES

(in thousands of dollars)

Categories of accounts receivable	Outstanding days				Total as at March 31, 1997
	0—30	31—60	61—90	Over 90	
Non-tax revenues—					
Return on investments	320,968	36	52	36,743	357,799
Proceeds from sales	2,676	737	202	591	4,206
Refunds of previous years' expenditures	25,343	4,235	2,306	183,551	215,435
Privileges, licences and permits	73,349	12,701	4,859	20,013	110,922
Service fees	33,301	4,297	3,357	44,567	85,522
Miscellaneous	45,872	29,640	18,461	1,068,415	1,162,388
Revenues netted against expenditures	337,035	45,261	20,515	485,072	887,883
	838,544	96,907	49,752	1,838,952	2,824,155
Other amounts					1,222,116 ⁽¹⁾
Total non-tax revenues and revenues netted against expenditures (net of allowance for doubtful accounts)					4,046,271

⁽¹⁾ This amount represents long-term accounts receivable and other amounts, which if included, would cause the aging schedule to be misleading.

PUT

A

SECTION 8

1996-97

PUBLIC ACCOUNTS OF CANADA

Foreign Exchange Accounts

CONTENTS

	<i>Page</i>
International reserves held in the Exchange Fund Account .	8.3
International Monetary Fund—Subscriptions	8.4
International Monetary Fund—Notes payable	8.4
Special drawing rights allocations	8.4
Supplementary statement—	
Exchange Fund Account	8.5

FOREIGN EXCHANGE ACCOUNTS

Foreign exchange accounts represent financial claims and obligations of the Government as a result of Canada's foreign exchange operations. Financial claims and obligations denominated in foreign currencies are reported at Canadian dollar equivalents at March 31. Net gains resulting from the translation of the net assets denominated in foreign currencies, to Canadian dollar equivalents as at March 31, are credited to revenues, and net losses are charged to expenditures of the Department of Finance.

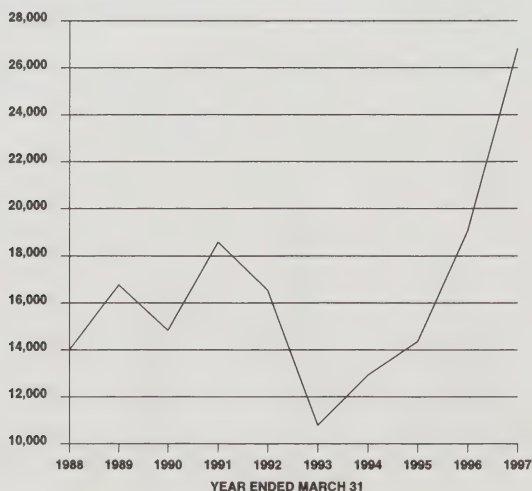
Table 8.1 presents the continuity of each foreign exchange account, by showing the opening and closing balances, as well

as payments and other charges and receipts and other credits. It should be noted, however, that this table excludes unmatured debt payable in foreign currencies, amounting to \$23,016 million as at March 31, 1997 (\$16,809 million as at March 31, 1996); details relating to these obligations are presented in Section 6 of this volume. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables. Chart 8A compares the net foreign exchange accounts for the last ten fiscal years.

TABLE 8.1
FOREIGN EXCHANGE ACCOUNTS

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
International reserves held in the Exchange Fund				
Account, Table 8.2	18,908,350,844	70,250,402,594	62,433,006,392	26,725,747,047
International Monetary Fund—Subscriptions	8,579,813,379		284,794,176	8,295,019,203
	27,488,164,223	70,250,402,594	62,717,800,568	35,020,766,250
Less:				
International Monetary Fund—Notes payable	6,886,161,330	789,411,024	614,838,670	6,711,588,976
Special drawing rights allocations	1,547,615,390	51,370,797		1,496,244,593
	8,433,776,720	840,781,821	614,838,670	8,207,833,569
Total	19,054,387,503	71,091,184,415	63,332,639,238	26,812,932,681

CHART 8A
FOREIGN EXCHANGE ACCOUNTS
(in millions of dollars)



International Reserves Held in the Exchange Fund Account

This account records the moneys advanced from the Government to the Exchange Fund Account, in Canadian and other currencies, for the purchase of gold, foreign currencies and securities, and special drawing rights (SDRs).

The Exchange Fund Account is operated under the provisions of the *Currency Act*. In accordance with this Act, audited financial statements for the Exchange Fund Account are prepared for each calendar year. The financial statements as at December 31, 1996, together with the Auditor General's report thereon, are found at the end of this section.

Table 8.2 shows international reserves held in and advances to the Exchange Fund Account as at March 31, 1997. Gold held by the Account is valued at 35 SDRs per fine ounce (\$67.20 Cdn as at March 31, 1997 and \$69.51 Cdn as at March 31, 1996).

In 1996-97, payments and other charges consisted of advances to the Exchange Fund Account in the amount of \$69,928 million, a valuation adjustment of \$44 million and an adjustment of \$278 million to recognize the net income of the Exchange Fund Account for the period January 1 to March 31. Receipts and other credits consisted of repayments of advances of \$62,433 million.

TABLE 8.2

INTERNATIONAL RESERVES HELD IN THE EXCHANGE FUND ACCOUNT

(in millions of dollars)

	March 31/1997	March 31/1996
US dollar cash on deposits	77	259
US dollar short-term deposits	4,079	4,615
US dollar investments	20,086	11,536
Deutsche marks short-term deposits	343	346
Japanese yen investment	2	(1)
Japanese yen short-term deposits	339	336
Special drawing rights	1,580	1,584
Gold	211	232
Canadian cash on deposits	1	(1)
Unrealized exchange gains	8	
Total	26,726	18,908
Advances by the Consolidated Revenue Fund were denominated as follows:		
US dollars (1997, \$18,412 million US; 1996, \$13,154 million US)	25,452	17,877
Special drawing rights (1997, SDR 39 million; 1996, SDR 38 million)	74	76
Canadian dollars	922	633
Total advances from the Consolidated Revenue Fund	26,448	18,586
Total net income from January 1 to March 31	278	322
Total	26,726	18,908

(1) Less than \$500,000.

International Monetary Fund—Subscriptions

This account records the value of Canada's subscription (its "quota") to the capital of the International Monetary Fund (IMF).

The amount by which the sum of Canada's subscriptions plus loans to the IMF under special facilities exceeds the IMF's holdings of Canadian dollars represents the amount of foreign exchange which Canada is entitled to draw from the IMF on demand for balance of payments purposes. The subscription is expressed in terms of the SDR, a unit of account defined in terms of a "basket" of five major currencies.

Canada has accumulated its subscriptions through settlements to the IMF in Canadian dollars, gold and SDRs. Annual maintenance of value payments are made to, or received from, the IMF when the Canadian dollar depreciates or appreciates against the SDR, in order to maintain the SDR-value of the IMF's holdings of Canadian dollars.

In 1996-97, receipts and other credits consisted of a maintenance of value adjustment of \$249 million and a valuation adjustment of \$36 million.

International Monetary Fund—Notes Payable

This account records non-marketable, non-interest bearing notes issued by the Government to the IMF. These notes are payable on demand and are subject to redemption or re-issue, depending on the needs of the IMF for Canadian currency.

Canadian dollar holdings of the IMF include these notes and a small working balance (initially equal to one-quarter of one percent of Canada's subscription) held on deposit at the Bank of Canada. In 1996-97, notes payable to the IMF decreased by \$174 million.

Special Drawing Rights Allocations

This account records the value of SDRs allocated to Canada by the IMF. The special drawing right is an international currency created by the IMF, and allocated to countries participating in its Special Drawing Rights Department. It represents a liability of Canada, as circumstances could arise whereby Canada could be called upon to repay these allocations, in part or in total.

As an asset, SDRs represent rights to purchase currencies of other countries participating in the IMF's Special Drawing Rights Department, as well as to make payments to the IMF itself. All SDRs allocated to Canada by the IMF have either been used to settle subscriptions in the IMF, or have been advanced to the Exchange Fund Account.

There was no allocation of SDRs by the IMF to Canada during the year. In 1996-97, payments and other charges consisted of a valuation adjustment of \$51 million.

SUPPLEMENTARY STATEMENT

Exchange Fund Account

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Responsibility for the financial statements of the Exchange Fund Account and all other information presented in this Annual Report rests with the Department of Finance. The operation of the Account is governed by the provisions of Part II of the *Currency Act*. The Account is administered by the Bank of Canada as fiscal agent.

The financial statements were prepared in accordance with the stated accounting policies of the Government of Canada set out in Note 2 to the financial statements. These policies were applied on a basis consistent with that of the preceding year.

The Department of Finance establishes policies for Exchange Fund Account transactions and investments, and related accounting activities. It also ensures that the Account's activities comply with the statutory authority of the *Currency Act*.

The Bank of Canada effects transactions for the Account and maintains records, as required to provide reasonable assurance regarding the reliability of the financial statements. The Bank reports to the Department of Finance on the financial position of the Account and on the results of its operations.

The Auditor General of Canada conducts an independent audit of the financial statements of the Account and reports the results of his audit to the Minister of Finance.

The Annual Report of the Account is tabled in Parliament along with the financial statements, which are part of the Public Accounts, and are referred to the Standing Committee on Public Accounts for their review.

GORDON THIESSEN
*Governor
Bank of Canada*

D.A. DODGE
*Deputy Minister
Department of Finance*

RON PARKER
*Chief, Financial Markets Department
Bank of Canada*

AUDITOR'S REPORT

TO THE MINISTER OF FINANCE

I have audited the balance sheet of the Exchange Fund Account as at December 31, 1996 and the statement of revenues due to the Consolidated Revenue Fund for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the Department of Finance, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Account as at December 31, 1996 and the revenues due to the Consolidated Revenue Fund for the year then ended in accordance with the stated accounting policies of the Government of Canada set out in Note 2 to the financial statements.

Further, in my opinion, the transactions of the Account that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the applicable provisions of Part II of the *Currency Act*.

John Wiersema, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
February 21, 1997

Exchange Fund Account—ContinuedBALANCE SHEET AS AT DECEMBER 31, 1996
(in millions of dollars)

ASSETS	1996		1995		DUE TO THE CONSOLIDATED REVENUE FUND	1996		1995	
	US	C	US	C		C		C	
Denominated in US dollars					Advances (Note 9)	21,030		12,168	
Cash and short-term deposits ...	2,431	3,332	2,350	3,206	Revenues for the year	1,302		1,374	
Marketable securities (Note 4) ..	12,007	16,457	5,724	7,807					
	14,438	19,789	8,074	11,013					
Denominated in other foreign currencies									
Cash and short-term deposits (Note 5)	256	351	255	348					
Marketable securities (Note 6) ..	244	335	240	327					
	500	686	495	675					
Denominated in special drawing rights									
Special drawing rights (Note 7) .	1,176	1,612	1,185	1,617					
Gold and gold loans (Note 8) ...	157	215	180	245					
	1,333	1,827	1,365	1,862					
Official international reserve assets	16,271	22,302	9,934	13,550					
Denominated in Canadian dollars									
Cash				1					
Other (Note 10(a))		30		(9)					
		22,332		13,542		22,332		13,542	

Commitments (Notes 10(b),(c))

See accompanying notes

Approved:

GORDON THIESSEN*Governor**Bank of Canada***D.A. DODGE***Deputy Minister**Department of Finance***RON PARKER***Chief, Financial Markets Department**Bank of Canada*

Exchange Fund Account—Continued**STATEMENT OF REVENUES DUE TO THE CONSOLIDATED
REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 1996**
(in millions of Canadian dollars)

	1996	1995
Investment income		
Marketable securities	961	758
Cash and short-term deposits	197	188
Special drawing rights	63	79
Gold	26	17
	1,247	1,042
Other income		
Gain on sales of gold	156	214
Net foreign exchange gains (losses) (Notes 10(a), 11)	(101)	118
	55	332
Revenues for the year due to the Consolidated Revenue Fund (Note 2(e)) ..	1,302	1,374

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996****1. Authority and objective**

The Exchange Fund Account (the Account) is governed by Part II of the *Currency Act* (the Act). The Account is in the name of the Minister of Finance (the Minister) and is administered by the Bank of Canada as fiscal agent. The *Financial Administration Act* does not apply to the Account.

The main objective of the Account is to aid in the control and protection of the external value of the Canadian dollar, and the Minister acquires or sells for the Account those assets which are deemed appropriate for this purpose in accordance with the Act. The Act requires that the Minister publish in the Canada Gazette the list of currencies and units of account deemed eligible as assets of the Exchange Fund Account, as well as the investment criteria used for the designation of eligible issuers and securities.

2. Significant accounting policies

Significant account policies of the Account are set out below. As required by the *Currency Act*, they conform to the stated accounting policies used by the Government of Canada to prepare its financial statements.

(a) Valuation of assets

The estimated fair market value of cash and short-term deposits, which are generally held to maturity, is equal to their book value.

Marketable securities are adjusted for unamortized premiums or discounts where applicable, and are reported at the lower of their amortized cost or year-end market value.

Marketable securities, short-term deposits and special drawing rights (SDRs) include accrued interest. The SDR is a unit of account issued by the International Monetary Fund (IMF), and its value is determined in terms of a basket of five major currencies.

Gold and gold loans includes accrued interest. Gold is carried in the Account at a value of 35 SDRs per fine ounce, which conforms to the value used in the *Public Accounts of Canada*.

(b) Investment income

Investment income is recorded on an accrual basis and includes interest earned, amortization of premiums and discounts. Write downs of securities to their year-end market value and gains and losses on the sale of marketable securities are recorded as a charge or a credit to investment income in the year in which they occur. Purchases and sales of securities are recorded at the settlement date.

(c) Gold

Gold sales and net gains on gold sales are recorded at settlement date. Interest revenue from gold loans is recorded on an accrual basis and is included in investment income.

(d) Translation of foreign currencies and SDRs

Assets and advances denominated in foreign currencies and SDRs are translated into Canadian and US dollar equivalents at year-end market exchange rates, which were as follows:

	Canadian dollars	
	1996	1995
US dollar	1.37060	1.36400
Japanese yen	0.01182	0.01319
Deutsche mark	0.89070	0.94960
Special drawing right	1.97087	2.02757

Net foreign exchange gains or losses result from the translation of foreign currency balances and transactions throughout the year. Unrealized foreign currency translation gains or losses on short-term currency swaps arrangements with the Bank of Canada are recorded in other assets and in net foreign exchange gains or losses. See also Note 10(a).

Investment income in foreign currencies and SDRs is translated into Canadian dollars at the foreign exchange rates prevailing on the date the income is earned.

(e) Disposition of revenues

The revenues for the year are payable to the Consolidated Revenue Fund of the Government of Canada within three months after the end of the year in accordance with the Act.

Exchange Fund Account—ContinuedNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996—Continued

(f) Services received without charge

The Account receives, without charge, administrative, custodial and fiscal agency services from the Bank of Canada.

(g) Interest-free advances

The Account receives interest-free advances from the Consolidated Revenue Fund.

3. Official government operations

Official government operations involve purchases and sales of Canadian dollars against foreign currencies. These are undertaken to moderate movements in the value of the Canadian dollar, or to meet net government requirements of foreign exchange. During the year, US\$ 1,692 million (net) in official international reserves were used for these operations (1995: net use of US\$ 61 million). Transactions aimed at moderating movements in the value of the Canadian dollar comprised sales of foreign currency of US\$ 1,241 million (1995: US\$ 5,509 million) and purchases of foreign currency of US\$ 225 million (1995: US\$ 5,167 million).

4. Marketable securities denominated in US dollars

	1996		1995	
	US	C	US	C
(in millions of dollars)				
US Government securities	8,978	12,305	3,532	4,818
US Federal Agencies securities	1,519	2,082	1,143	1,560
Sovereign paper	885	1,213	594	809
International Institutions securities	515	706	393	536
Accrued interest	119	163	62	84
Amortized cost at year end	12,016	16,469	5,724	7,807
Estimated market value at year end	12,007	16,457	5,815	7,932

At year end, the value of securities was written down by US \$9 million (C\$ 12 million) from their amortized cost, to reflect the estimated net market value of these assets. A charge of C\$ 12 million was made against the current year's investment income.

5. Cash and short-term deposits denominated in other foreign currencies

	1996		1995	
	US	C	US	C
(in millions of dollars)				
Japanese yen	1	1	1	2
Deutsche marks	254	348	253	344
Accrued interest	1	2	1	2
	256	351	255	348

6. Marketable securities denominated in other foreign currencies

	1996		1995	
	US	C	US	C
(in millions of dollars)				
Japanese Government securities				
Amortized cost at year end	244	335	240	327
Estimated market value at year end	246	338	242	330

7. Special drawing rights

	1996		1995	
	(in millions of SDRs)			
Held at the end of the year	812		792	
Accrued interest	5		6	
	817		798	

	1996		1995	
	US	C	US	C
(in millions of dollars)				
Held at the end of the year ...	1,168	1,601	1,177	1,606
Accrued interest	8	11	8	11
	1,176	1,612	1,185	1,617

8. Gold and gold loans

	1996		1995	
Held at the beginning of the year				
Gold	122		999	
Gold loans	3,292		2,886	
	3,414		3,885	
Sold during the year	327		471	
Held at the end of the year	3,087		3,414	
Composed of				
Gold	109		122	
Gold loans	2,978		3,292	
	3,087		3,414	

	1996		1995	
	US	C	US	C
(in millions of dollars)				
Held at the end of the year				
Gold	5	8	7	9
Gold loans	150	205	171	233
Accrued interest on gold loans	2	2	2	3
	157	215	180	245

Exchange Fund Account—Concluded

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996—Concluded

The recorded value, the market value (based on London fixings), and the approximate Canadian dollar cost at historical rates of exchange of gold and gold loans excluding accrued interest, at year end are:

	1996		1995	
	Price per fine ounce	Total value in millions	Price per fine ounce	Total value in millions
Recorded value —US\$	50.33	155	52.03	178
—C\$	68.98	213	70.96	242
Market value —US\$	369.55	1,141	386.70	1,320
—C\$	506.51	1,564	527.46	1,801
Approximate historical cost—C\$	36.91	114	36.91	126

9. Due to the Consolidated Revenue Fund—Advances

The Account is funded by advances from the CRF. During the year, these were limited to C\$25 billion by Order in Council dated June 30, 1988 (revised by Order in Council to C\$ 35 billion effective February 21, 1997). At year end, advances from (to) the CRF consisted of:

	1996	1995
	(in millions of Canadian dollars)	(in millions of Canadian dollars)
US dollars	23,802	15,432
Canadian dollars	(2,848)	(3,342)
Special drawing rights	76	78
	<u>21,030</u>	<u>12,168</u>

The proceeds of Canada's borrowings in foreign currency and allocations of SDRs by the IMF have been advanced from the CRF to the Account. Repayments of foreign currency debt are made using the assets of the Account. Interest payable by Canada on borrowings in foreign currencies and charges on SDR allocations to Canada are charged directly to the CRF.

10. Commitments

(a) Currency swaps

The Account enters into short-term currency swap arrangements with the Bank of Canada. The objective of these swaps is to assist the Bank in its cash management operations. Under these agreements, the Account sells US dollars for Canadians dollars, with simultaneous agreements to repurchase US dollars on future dates at the same exchange rates in effect at the time the swaps were entered into. These swaps result in temporary decreases in the Account's foreign currency assets and in the level of advances from the CRF. The effect is reversed when the swaps mature.

At year end, the Account had the following commitments to repurchase US dollars under swap arrangements with the Bank of Canada:

	1996		1995	
	US	C	US	C
	(in millions of dollars)			
Value at cost	2,944	4,005	3,927	5,365
Value at market	2,944	4,035	3,927	5,356

Unrealized exchange gains of C\$ 30 million (1995: loss of C\$ 9 million) related to currency swap arrangements outstanding at year end with the Bank of Canada are included in Other assets and Net foreign exchange gains (losses).

(b) Uncompleted transactions

At year end, the Account had commitments for net purchases of US\$ 10 million and 520 million Japanese yen, and sales of 5 million deutsche marks and C\$ 15 million (1995: net purchases of US\$ 8 million against C\$ 11 million), all maturing in January 1997.

(c) Gold options

The Minister has authorized the sale of call options on part of the Account's gold holdings. Under such transactions, the Account receives a premium against commitments to sell gold, at predetermined prices, on the expiry date of the options which can be exercised at the holder's discretion. No gold is sold unless the holders of the options exercise their right on the expiry dates.

At year end, the Account had outstanding commitments to sell 70,000 fine ounces of gold under call option contracts with a total value of US\$ 27 million (1995: 90,000 fine ounces with a total value of US\$ 36 million) all maturing by March 1997.

11. Net foreign exchange gains (losses)

	1996		1995	
	Assets	Liabilities	Net	Net
	(in millions of Canadian dollars)			
Assets and liabilities denominated in:				
US dollars	96	(119)	(23)	124
Japanese yen	(37)		(37)	(11)
Deutsche marks	(22)		(22)	25
Special drawing rights	(51)	2	(49)	(11)
	<u>(14)</u>	<u>(117)</u>	<u>(131)</u>	<u>127</u>
Unrealized gains			30	(9)
Net foreign exchange gains (losses) for the year			<u>(101)</u>	<u>118</u>

SECTION 9

1996-97

PUBLIC ACCOUNTS OF CANADA

Loans, Investments and Advances

CONTENTS

	<i>Page</i>
Enterprise Crown corporations	9.4
Summary financial statements of enterprise Crown corporations	9.12
Borrowings by agent enterprise Crown corporations	9.18
Borrowings by enterprise Crown corporations	9.19
Maturity and currency of borrowings by enterprise Crown corporations	9.19
Contingent liabilities of enterprise Crown corporations ..	9.20
Financial assistance under budgetary appropriations to enterprise Crown corporations	9.21
Joint and mixed enterprises	9.22
National governments including developing countries	9.24
International organizations	9.29
Provincial and territorial governments	9.35
Other loans, investments and advances	9.39
Allowance for valuation	9.47

LOANS, INVESTMENTS AND ADVANCES

Loans, investments and advances is a category of financial claims represented by debt instruments and ownership interests held by the Government of Canada, acquired through the use of parliamentary appropriations. Some of these appropriations permit repayments to be used for further loans and advances. Many appropriations are non-lapsing, that is, unexpended balances may be carried forward from year to year. Details of the use of non-budgetary appropriations, for loans, investments and advances, can be found in the ministerial sections of Volume II (Part I).

Loans, investments and advances are recorded at cost and are subject to annual valuation to reflect reductions from the recorded value to the estimated realizable value. Foreign currency transactions are translated and recorded in Canadian dollar equivalents at the exchange rates prevailing at the transaction dates. Loans, investments and advances resulting from foreign currency transactions are, in turn, reported at year-end closing rates of exchange; net gains are credited to revenues, while net losses are charged to expenditures of the Department of Finance.

The allowance established to reflect reductions from the recorded value to the estimated realizable value of financial claims held by the Government has been authorized by the Minister of Finance and the President of the Treasury Board, under section 63(2) of the *Financial Administration Act*.

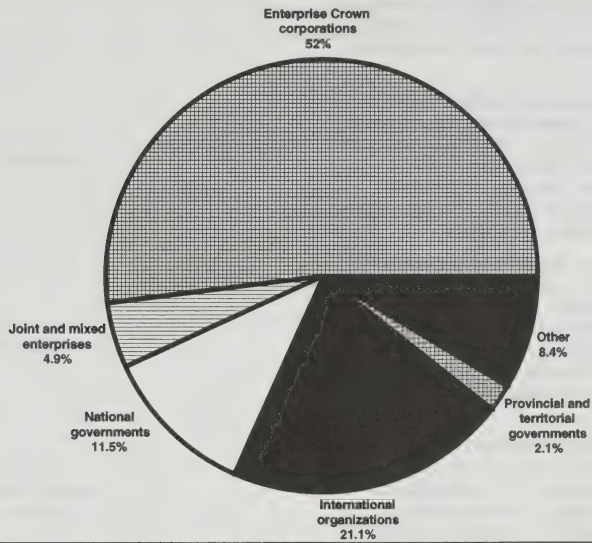
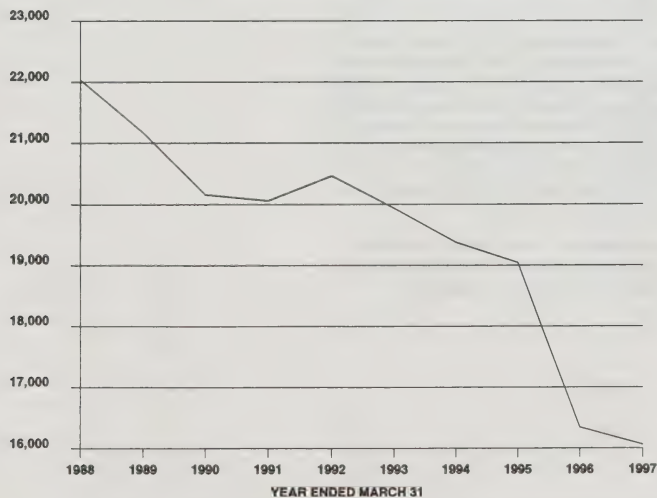
Revenues received during the year on loans, investments and advances, are credited to return on investments; details are provided in Section 3 of this volume and in Section 12 of Volume II (Part II).

Table 9.1 presents the transactions and year-end balances of loans, investments and advances by category. Chart 9A presents the total loans, investments and advances by category for the current fiscal year, while Chart 9B compares the total loans, investments and advances for the last ten fiscal years.

Some tables in this section present the continuity of accounts, by showing the opening and closing balances, as well as payments and other charges and receipts and other credits. A narrative description is provided for accounts reported in some tables. Such description follows the same presentation order as the respective tables.

TABLE 9.1
LOANS, INVESTMENTS AND ADVANCES

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Enterprise Crown corporations, Table 9.2	14,662,591,137	1,128,900,197	1,949,887,052	13,841,604,282
Joint and mixed enterprises, Table 9.11	1,299,457,574			1,299,457,574
National governments including developing countries, Table 9.12	3,220,598,532	155,199,808	301,430,745	3,074,367,595
International organizations, Table 9.13	5,564,772,041	461,141,015	408,563,369	5,617,349,687
Provincial and territorial governments, Table 9.14	709,452,007	114,366,624	269,938,074	553,880,557
Other loans, investments and advances, Table 9.15	2,154,244,845	1,618,194,341	1,537,868,427	2,234,570,759
	27,611,116,136	3,477,801,985	4,467,687,667	26,621,230,454
Less: allowance for valuation	11,270,000,000	716,000,000		10,554,000,000
Total	16,341,116,136	4,193,801,985	4,467,687,667	16,067,230,454

CHART 9ALOANS, INVESTMENTS AND ADVANCES BY CATEGORY AS AT MARCH 31, 1997 ⁽¹⁾⁽¹⁾ Before the allowance for valuation**CHART 9B**LOANS, INVESTMENTS AND ADVANCES ⁽¹⁾
(in millions of dollars)⁽¹⁾ Before the allowance for valuation

Enterprise Crown Corporations

Loans and advances to, and investments in, enterprise Crown corporations represent the balance of financial claims held by the Government against corporations for working capital, capital expenditures and other purposes, investment in the capital stock of corporations, and loans and advances to corporations for re-lending.

A Crown corporation means a parent Crown corporation or a wholly-owned subsidiary; a parent Crown corporation is wholly-owned directly by the Crown; a wholly-owned subsidiary is wholly-owned by one or more parent Crown corporations directly or indirectly through any number of subsidiaries each of which is wholly-owned directly or indirectly by one or more parent Crown corporations.

Enterprise Crown corporations are defined as those corporate organizations which are not dependent on parliamentary appropriations and whose principal activity and source of revenue is the sale of goods and services to outside parties. These include selected corporations listed in Part I and all the corporations listed in Part II of Schedule III of the *Financial Administration Act*, the Bank of Canada and the Canadian Wheat Board.

An enterprise Crown corporation is ultimately accountable to Parliament, through a minister of the Crown, for the conduct of its affairs. Most of the enterprise Crown corporations listed in Schedule III to the *Financial Administration Act* are agents of Her Majesty in Right of Canada. This status is granted in one of the following ways:

- (i) designation by Parliament, through a special act of incorporation;
- (ii) statutory authorization; or,
- (iii) proclamation by the *Government Corporations Operation Act*.

Financial statements of parent enterprise Crown corporations can be found in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*. The financial statements of wholly-owned subsidiaries of enterprise Crown corporations are also included in that report whenever their accounts are not consolidated with those of the parent corporation. These financial statements are appended to those of the related parent enterprise Crown corporation.

Table 9.2 presents a summary of the balances and transactions for the various types of loans, investments and advances which were made to enterprise Crown corporations.

TABLE 9.2
ENTERPRISE CROWN CORPORATIONS

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Business Development Bank of Canada—				
Common shares	303,400,000			303,400,000
Preferred shares	50,000,000	50,000,000		100,000,000
	353,400,000	50,000,000		403,400,000
Canada Deposit Insurance Corporation	1,627,000,000	100,000,000	872,000,000	855,000,000
Canada Mortgage and Housing Corporation—				
Capital stock	25,000,000			25,000,000
Housing	4,402,672,428		140,109,880	4,262,562,548
Real estate	268,378,720		21,729,256	246,649,464
Joint projects	1,512,548,847		94,151,509	1,418,397,338
Urban renewal scheme	820,913		441,037	379,876
Student housing projects	312,628,433		20,290,231	292,338,202
Sewage treatment projects	718,198,633		45,593,094	672,605,539
Ownership assistance	48,164,790		2,570,199	45,594,591
	7,288,412,764		324,885,206	6,963,527,558
Export Development Corporation	983,200,000			983,200,000
Farm Credit Corporation—				
Contributed capital	1,118,333,000			1,118,333,000
Notes	2,300,632,357	676,000,000	478,908,779	2,497,723,578
Farm syndicates loan fund	9,392,857		105,495	9,287,362
	3,428,358,214	676,000,000	479,014,274	3,625,343,940
Other—				
Bank of Canada	5,920,000			5,920,000
Canada Development Investment Corporation	395,658,315			395,658,315
Canada Hibernia Holding Corporation—				
Contributed surplus	312,549,918	53,833,197		366,383,115
Canada Ports Corporation—				
Loans	440,047		77,380	362,667
Interport Loan Fund	50,000,000		6,317,538	43,682,462
	50,440,047		6,394,918	44,045,129
Canada Post Corporation	80,000,000			80,000,000
Canadian Dairy Commission	38,500,000	239,867,000	213,949,000	64,418,000
Cape Breton Development Corporation	15,000,000	5,000,000	20,000,000	
Freshwater Fish Marketing Corporation	5,000,000	4,200,000	9,200,000	
Montreal Port Corporation	3,525,166		622,238	2,902,928
Prince Rupert Port Corporation	15,334,477		5,337,275	9,997,202
Royal Canadian Mint—				
Capital stock	40,000,000			40,000,000
Loans	174,495		76,115	98,380
	40,174,495		76,115	40,098,380
Saint John Port Corporation	18,052,457		18,052,457	
Vancouver Port Corporation	2,065,284		355,569	1,709,715
	982,220,159	302,900,197	273,987,572	1,011,132,784
Total	14,662,591,137	1,128,900,197	1,949,887,052	13,841,604,282

Business Development Bank of Canada

The Corporation was established by the *Business Development Bank of Canada Act*, to promote and assist in the establishment and development of business enterprises in Canada, by providing financial assistance, management counselling, management training, information and advice, and such other services as are ancillary or incidental to any of the foregoing.

The Corporation is an agent of Her Majesty, reports through the Minister of Industry, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Common shares

This account records the Government's investment in the common shares of the Corporation.

Preferred shares

During the year, the Government purchased \$50 million of preferred shares of the Corporation pursuant to section 23 of the *Business Development Bank of Canada Act*, bringing total preferred shares purchased to date to \$100 million.

Canada Deposit Insurance Corporation

The Corporation was established by the *Canada Deposit Insurance Corporation Act*, to provide insurance, up to \$60,000 per depositor per institution, on deposits with federal member institutions and approved provincial institutions.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Section 42 of the *Canada Deposit Insurance Corporation Act* provides that the Minister of Finance, with the approval of the Governor in Council, may advance to the Corporation amounts by way of loans on such terms and conditions as the Governor in Council may determine. The aggregate of such loans authorized to be outstanding at any time is \$6,000,000,000.

The loans bear interest at rates from 6.16 percent to 7.33 percent per annum, and are repayable between July 8, 1997 and July 17, 1998.

During the year, the Corporation paid interest of \$87.9 million to the Government.

Canada Mortgage and Housing Corporation

The Corporation was established by the *Canada Mortgage and Housing Corporation Act*, to promote the construction of new houses, the repair and modernization of existing houses, the improvement of housing and living conditions in Canada, and to promote the development of communities through the provision of infrastructure facilities.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part I of Schedule III of the *Financial Administration Act*.

During the year, the Corporation paid interest of \$631.8 million to the Government.

Capital stock

The Government's investment in the capital of the Corporation is authorized by section 16 of the *Canada Mortgage and Housing Corporation Act*.

Housing

Advances have been made to enable the Corporation to lend money under the following sections of the *National Housing Act*:

- (a) Section 24(1)—for rental housing projects on the security of a first mortgage and to sell or purchase loans made on rental housing projects;
- (b) Section 26(1)—to any person to assist in
 - (i) the construction, purchase or improvement of a low-rental housing project;
 - (ii) the purchase of existing buildings and the land upon which they are situated and their conversion into a low-rental housing project; or,
 - (iii) the conversion of existing buildings into a low-rental housing project;
- (c) Section 27.5—to municipalities for selected neighbourhoods for the purpose of improving premises within the neighbourhood in respect of which the contribution is made;
- (d) Section 51(1)—
 - (i) to the owner of a family housing unit or of housing accommodation of the hostel or dormitory type for the purpose of assisting in the repair, rehabilitation or improvement thereof;
 - (ii) to an occupier of a family housing unit for the purpose of assisting in the repair, rehabilitation or improvement thereof; or,
 - (iii) to a non profit corporation for the purpose of assisting in the construction of an existing residential building owned by the corporation, to a building containing a different number of family housing units, housing accommodation of the hostel or dormitory type or a different number of hostel or dormitory beds;
- (e) Section 61(1)—to cooperatives for the purpose of assisting in the construction, acquisition or improvement of a housing project;
- (f) Section 76(1)—to any person that wishes to undertake a project
 - (i) for individuals or families of low income; or,
 - (ii) to meet the needs of individuals resulting from age, infirmity or other disability;
- (g) Section 80(1)—to provinces, municipalities or public housing agencies to assist in the acquisition and the servicing of land for housing purposes;

- (h) Section 81(1)—to a province, municipality or public housing agency for the construction or acquisition of a public housing project;
- (i) Section 97(1)—to persons to whom a loan is not being made available pursuant to Part I of section 24, the Corporation may make such a loan subject to the same terms, conditions and limitations that exist under Part I of section 24; and,
- (j) Section 98—to Indians to assist in the purchase, improvement or construction of housing projects on Indian reserves.

The advances bear interest at rates from 3.5 percent to 16.0962 percent per annum, and are repayable over 1 to 50 years, with final instalments between June 30, 1997 and September 30, 2037.

Real estate

Section 92(1) of the *National Housing Act* authorizes advances to: (a) acquire land or housing projects by way of purchase, lease or otherwise; (b) install services in and effect improvements to or in respect of land acquired, and develop and lay out such land for housing purposes; (c) construct, convert or improve housing projects; and, (d) acquire building materials and equipment and other personal property for use in connection with housing projects.

The advances bear interest at rates from 2 percent to 15 percent per annum, and are repayable over 50 years, with the final instalment on December 30, 2037.

Joint projects

Section 79(1) of the *National Housing Act* authorizes advances to undertake projects jointly with the government of any province or any agency thereof, for (a) the acquisition and development of land for housing purposes or for any purpose incidental thereof; (b) the construction of housing projects or housing accommodation of the hostel or dormitory type for sale or for rent; and, (c) the acquisition, improvement and conversion of existing buildings for a housing project or for housing accommodation of the hostel or dormitory type.

The advances bear interest at rates from 3 percent to 17.9 percent per annum, and are repayable over 1 to 50 years, with final instalments between June 30, 1997 and December 30, 2039.

Urban renewal scheme

Advances have been made to enable the Corporation to lend money under section 25(1) of the *National Housing Act*, to a province or municipality, to assist in the implementation of an urban renewal scheme.

The advances bear interest at rates from 5.81 percent to 7.195 percent per annum, and are repayable over 15 to 50 years, with final instalments between June 30, 1997 and December 31, 1999.

Student housing projects

Advances have been made to enable the Corporation to lend money under section 88(1) of the *National Housing Act*, to a province or an agency thereof, a municipality or an agency thereof, or a hospital, school board, university, college, cooperative association or charitable corporation, to assist in (a) the construction, acquisition or improvement of a student housing project; (b) the acquisition of existing buildings and their conversion into a student housing project; or, (c) the conversion of existing buildings into a student housing project.

The advances bear interest at rates from 5 percent to 10.054 percent per annum, and are repayable over 20 to 50 years, with final instalments between June 30, 1997 and September 30, 2030.

Sewage treatment projects

Advances have been made to enable the Corporation to lend money under section 53 of the *National Housing Act*, to any province, municipality or municipal sewage corporation, to assist in the establishment or expansion of a sewage treatment project, and in the construction of a trunk storm sewer system.

The advances bear interest at rates from 5 percent to 10.376 percent per annum, and are repayable over 20 to 50 years, with final instalments between June 30, 1997 and December 31, 2023.

Ownership assistance

Advances have been made to enable the Corporation to lend money under sections 57(1) and 58(1) of the *National Housing Act*, to assist in (a) the construction of a house or a condominium unit by a person who owns the house or condominium unit and intends to occupy the house, one of the family housing units thereof or the condominium unit, or by a builder who intends to sell the house or condominium unit to a person who will own and occupy the house, one of the family housing units thereof or the condominium unit; or, (b) the acquisition of a house or condominium unit by a prospective qualified owner.

The advances bear interest at rates from 8.125 percent to 9.3889 percent per annum, and are repayable over 18 to 20 years, with final instalments between June 30, 1997 and December 31, 2008.

Export Development Corporation

The Corporation was established by the *Export Development Act*, to facilitate and develop export trade by the provision of loans, insurance, guarantees and other financial facilities.

The Corporation is an agent of Her Majesty, reports through the Minister for International Trade, and is listed in Part I of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation, as authorized by section 11(1) of the *Export Development Act*, shall not exceed, at any time, \$1,500,000,000.

Farm Credit Corporation

The Corporation was established by the *Farm Credit Corporation Act*, to assist Canadian farmers to establish and develop sound farm enterprises through the use of long-term credit.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Contributed capital

The Government's contribution to the capital of the Corporation is authorized by section 11(1) of the *Farm Credit Corporation Act*.

Notes

Promissory notes are issued to the Minister of Finance in respect of loans made pursuant to section 12 of the Act, to provide the Corporation with funds for making loans to farmers. The total amount of such loans outstanding at any time may not exceed twelve times the capital of the Corporation.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 20 years, bearing interest at rates from 8.75 percent to 10.145 percent per annum, with final instalments between July 1, 1997 and November 30, 1998, \$76,837,336;
- (b) repayable over 10 to 19 years, bearing interest at rates from 7.95 percent to 9.91 percent per annum, with final instalments between July 1, 1997 and December 1, 2009, \$564,768,800;
- (c) repayable over 2 to 9 years, bearing interest at rates from 6.29 percent to 10.206 percent per annum, with the final instalment on April 4, 2003, \$1,330,117,442; and,
- (d) repayable in under 2 years, bearing interest at rates from 2.9239 percent to 3.5434 percent per annum, \$526,000,000.

During the year, the Corporation paid interest of \$171 million to the Government.

Farm syndicates loan fund

Advances have been made by the Minister of Finance, pursuant to section 8 of the *Farm Syndicates Credit Act*, to enable the Corporation to make loans. Section 3(1) of the Act allowed the Corporation to make loans to a farm syndicate for:

- (a) the purchase of farm machinery;
- (b) the purchase, erection or improvement of buildings; or,
- (c) the purchase or improvement of land on which buildings were or were to be erected for use primarily by the syndicate or its members, in their farming operations.

The *Farm Syndicates Credit Act* was repealed in 1993-94. This account will remain open for repayments.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) repayable over 10 to 19 years, bearing interest at the rate of 9.555 percent per annum, with the final instalment on February 26, 2001, \$268,132; and,
- (b) repayable over 2 to 9 years, bearing interest at rates from 6.95 percent to 9.68 percent per annum, with final instalments between September 27, 1997 and March 1, 1999, \$9,019,230.

During the year, the Corporation paid interest of \$0.4 million to the Government.

Bank of Canada

The Bank of Canada was established by the *Bank of Canada Act*, to regulate credit and currency, in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit, and to mitigate, by its influence, fluctuations in the general levels of production, trade, prices and employment so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of Canada.

The Bank is not an agent of Her Majesty and reports through the Minister of Finance.

The Government's investment in the capital of the Bank is authorized by section 17 of the *Bank of Canada Act*. An amount of \$5,000,000 represents the par value of 100,000 shares, and the remaining balance of \$920,000 represents premiums paid in respect of the acquisition, in 1938, of shares held by the public.

During the year, the Bank remitted profit of \$1,310.1 million to the Government.

Canada Development Investment Corporation

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*, to:

- (a) assist in the creation or development of businesses, resources, properties and industries of Canada;
- (b) expand, widen and develop opportunities for Canadians to participate in the economic development of Canada through the application of their skills and capital in any activities carried on by the Corporation;
- (c) invest in the shares or securities of any corporation owning property or carrying on business related to the economic interests of Canada;
- (d) invest in ventures or enterprises, including the acquisition of property, likely to benefit Canada; and,
- (e) carry out all activities in the best interests of Canada, operating in a commercial manner.

The Corporation is an agent of Her Majesty, reports through the Minister of Finance, and is listed in Part II of Schedule III of the *Financial Administration Act*.

The Government's investment in the capital of the Corporation is recorded in this account. The balance in the account represents the value of 101 common shares of the Corporation without nominal or par value.

During the year, the Corporation paid dividends of \$29.9 million to the Government.

Canada Hibernia Holding Corporation—Contributed surplus

The Corporation was incorporated pursuant to the *Canada Business Corporations Act*. It is a wholly-owned subsidiary of the Canada Development Investment Corporation.

In accordance with the *Hibernia Development Project Act*, the Government, through the Canada Hibernia Holding Corporation, acquired at no cost an 8.5 percent interest in the Hibernia Development Project. The sole purpose of the Canada Hibernia Holding Corporation is to hold, manage, fund and ultimately dispose of the 8.5 percent interest in the Project. To honor its obligations to fund the Project, the Corporation receives financial assistance from the Government. Such financial assistance is treated as contributed surplus.

During the year, payments totalling \$53,833,197 were made to the Canada Hibernia Development Corporation as authorized by Finance Vote L25, *Appropriation Acts No. 1 and No. 2, 1996-97*.

Canada Ports Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control Canadian harbours, and any other harbour, work or property of Canada transferred by the Governor in Council.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans

Under the authority of the *Canada Ports Corporation Act*, loans are made to finance capital expenditures of various harbours under the jurisdiction of the Canada Ports Corporation.

The remaining loan to Belledune bears interest at a rate of 6.44 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

The Corporation paid interest of \$28,339 to the Government in 1996-97.

Interport Loan Fund

This Fund was established to provide financing for financially viable capital projects of the Corporation and of the seven local port corporations.

The aggregate amount of loans authorized to be outstanding, at any time, is not to exceed \$50,000,000.

The Corporation will make annual repayments equal to 90 percent of the net income related to each of the loans advanced to the Interport Loan Fund.

During the year, loans totalling \$6,317,538 were forgiven pursuant to Transport Vote 38b, *Appropriation Act No. 4, 1996-97*.

Canada Post Corporation

The Corporation was established by the *Canada Post Corporation Act*, to operate a postal service on a self-sustaining basis while providing a standard of service that will meet the needs of the people of Canada.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

A loan has been made to the Corporation pursuant to section 29 of the *Canada Post Corporation Act*, to finance capital expenditures. The aggregate amount of loans to be outstanding at any time shall not exceed \$500,000,000.

The loan bears interest at the rate of 9.705 percent per annum, and is repayable on April 27, 1998.

The Corporation paid interest of \$7.8 million and dividends of \$10 million to the Government in 1996-97.

Canadian Dairy Commission

The Corporation was established by the *Canadian Dairy Commission Act*, to provide, to efficient producers of milk and cream, the opportunity of obtaining a fair return for their labour and investment, and to provide, to consumers of dairy products, a continuous and adequate supply of high quality dairy products.

The Corporation is an agent of Her Majesty, reports through the Minister of Agriculture and Agri-Food, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans have been made to the Corporation, to finance its dealings in dairy products. The total amount authorized to be outstanding at any time is \$300,000,000.

The loans bear interest at rates from 3.0183 percent to 5.3862 percent per annum, and are repayable within 1 year.

The Corporation paid interest of \$2.4 million to the Government in 1996-97.

Cape Breton Development Corporation

The Corporation was established by the *Cape Breton Development Corporation Act*, to stimulate economic adjustment and expansion on Cape Breton Island, while rationalizing the coal industry.

The Corporation is an agent of Her Majesty, reports through the Minister of Natural Resources, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Advances have been made for the purpose of providing working capital for the coal division of the Corporation. The total amount authorized to be outstanding at any time is \$50,000,000.

The working capital advances bear interest at the rate in effect, as determined by the Minister of Finance.

The Corporation paid interest of \$827,592 to the Government in 1996-97.

Freshwater Fish Marketing Corporation

The Corporation was established by the *Freshwater Fish Marketing Act*, to regulate interprovincial and export trade in freshwater fish, and to market and trade in fish.

The Corporation is an agent of Her Majesty, reports through the Minister of Fisheries and Oceans, and is listed in Part I of Schedule III of the *Financial Administration Act*.

Loans were made to the Corporation, pursuant to section 16 of the *Freshwater Fish Marketing Act*, to enable it to carry on its operations.

The aggregate amount of loans authorized to be outstanding at any time, borrowed from all lenders, was \$30,000,000.

In 1996-97, the outstanding loan was repaid.

During the year, the Corporation paid interest of \$150,739 to the Government.

Montreal Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Montreal.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Montreal.

The remaining loan bears interest at the rate of 6.25 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$220,323 and dividends of \$3.2 million to the Government.

Prince Rupert Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Prince Rupert.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Prince Rupert.

The terms and conditions of the loans, with their year-end balances, are as follows:

- (a) bearing interest at rates of 9.80 percent to 9.86 percent per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2009, \$3,743,840; and,
- (b) bearing interest at the rate of 10.4 percent per annum, repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2010, \$6,253,362.

In 1996-97, loans totalling \$5,000,000 were forgiven pursuant to Transport Vote 37a, *Appropriation Act No. 3, 1996-97*.

During the year, the Corporation paid interest of \$1.2 million and dividends of \$24,265 to the Government.

Royal Canadian Mint

The Corporation was established by the *Royal Canadian Mint Act*, to:

- (a) produce and arrange for the production and supply of coins of the currency of Canada;
- (b) produce coins of the currency of other countries;
- (c) melt, assay, refine, buy and sell gold, silver and other metals for the account of Canada; and,
- (d) make medals, plaques and other things as are incidental to the powers of the Mint.

The Corporation is an agent of Her Majesty, reports through the Minister of Public Works and Government Services, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Capital stock

Section 3.1(1) of the *Royal Canadian Mint Act* states that the authorized capital of the Mint is \$40,000,000, divided into four thousand shares of ten thousand dollars each. All authorized capital is issued.

Loans

Section 17(1) of the Act states that the Mint may borrow money from the Consolidated Revenue Fund or any other source but the aggregate of the amounts loaned to the Mint and outstanding at any time shall not exceed \$50,000,000.

Section 17(3) of the Act states that the Mint shall not borrow money without the approval of the Minister of Finance with respect to the time and the terms and conditions of the transaction.

The loans bear interest at annual rates of 8.75 percent and 9.50 percent and are repayable annually, with final instalments between April 1, 1997 and June 1, 1998.

During the year, the Corporation paid interest of \$9,295 to the Government.

Saint John Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Saint John.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans were made to finance capital expenditures related to the Port of Saint John.

In 1996-97, loans totalling \$18,052,457 were forgiven pursuant to Transport Vote 37a, *Appropriation Act No. 3, 1996-97* and the account was closed.

During the year, the Corporation paid interest of \$524,024 to the Government.

Vancouver Port Corporation

The Corporation was established by the *Canada Ports Corporation Act*, to administer, manage and control the Port of Vancouver.

The Corporation is an agent of Her Majesty, reports through the Minister of Transport, and is listed in Part II of Schedule III of the *Financial Administration Act*.

Loans have been made to finance capital expenditures related to the Port of Vancouver.

The remaining loan bears interest at the rate of 7.5 percent per annum, and is repayable in equal annual instalments over 20 years, with the final instalment on December 31, 2000.

During the year, the Corporation paid interest of \$154,896 to the Government.

Summary Financial Statements of Enterprise Crown Corporations

The following tables display details of the assets, liabilities, revenues and expenses of enterprise Crown corporations.

Tables 9.3 to 9.5 present the assets, liabilities, revenues, expenses and changes to the equity of enterprise Crown corporations grouped in five segments. The segment of competitive, self-sustaining corporations consists of those corporations named in Part II of Schedule III of the *Financial Administration Act*.

For those corporations having other year ends, the data are based on unaudited interim financial statements which have been prepared on a basis consistent with the most recent audited financial statements.

The tables summarize the financial transactions and results of operations of each enterprise Crown corporation in accordance with its own respective accounting policies. Most Crown corporations follow the generally accepted accounting principles used by private sector companies, as outlined in the *Handbook of the Canadian Institute of Chartered Accountants*.

Financial assets include cash, receivables, loans and investments. Physical assets and deferred charges represent the unexpensed portion of non-financial assets such as buildings, machinery and equipment in use or under construction, inventories and other items of expenditure which will be expensed as these assets are used. Financial assets and liabilities in respect of the Government and Crown corporations represent the unpaid balances arising from financing transactions and normal operating activities. Borrowings from outside parties represent amounts repayable to financial institutions and other investors. Other liabilities are amounts due in respect of purchases, employee termination and pension benefits, accrued interest on borrowings, long-term capital leases and sundry accounts payable.

Revenues include financial assistance received or receivable from the Government in respect of the current year's operations. Expenses are segregated between third parties, and Government and Crown corporations. Revenues and expenses are used to determine the net income or loss of the corporation. Adjustments include prior period adjustments and other miscellaneous

items as recorded by the corporations. Equity transactions with the Government include dividends declared or transfers of profits to the Government as well as equity contributions provided by the Government.

These tables present consolidated financial information on parent enterprise Crown corporations and financial information on unconsolidated wholly-owned subsidiaries. The *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada* includes a complete list of all parent Crown corporations, wholly-owned subsidiaries, other subsidiaries and associates.

Enterprise Crown corporations are also categorized as being either agents or non-agents of the Crown. Agency status may be expressly stated in the incorporating legislation or conferred under the provisions of the *Government Corporations Operation Act*. In accordance with section 54 of the *Financial Administration Act*, the payment of all money borrowed by agent Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the summary financial statements of Canada net of borrowings expected to be repaid directly by these corporations. The gross amounts of such borrowings are included under "Liabilities, Outside Parties". A summary of such borrowings and the changes during the year ended March 31, 1997 is presented in Table 9.6.

A summary of borrowing transactions by non-agent enterprise Crown corporations is presented in Table 9.7. The maturity and currency of enterprise Crown corporations' borrowings is presented in Table 9.8. Contingent liabilities of enterprise Crown corporations are presented in Table 9.9.

A summary of financial assistance under Government budgetary appropriations to enterprise Crown corporations for the year ended March 31, 1997 is provided in Table 9.10. Differences in figures reported in Table 9.5 and those reported in Table 9.10 result from the use of different accounting policies and from items in transit.

TABLE 9.3

SUMMARY COMBINED FINANCIAL STATEMENTS OF ENTERPRISE CROWN CORPORATIONS BY SEGMENT
(in thousands of dollars)

	Competitive, self-sustaining	Bank of Canada	Lending and insurance	Marketing	Other	Total
ASSETS AND LIABILITIES						
AS AT MARCH 31, 1997						
Assets						
Financial						
Outside parties	1,440,537	2,472,315	34,483,638	7,210,516	86,315	45,693,321
Government and Crown corporations	988,256	26,242,142	2,558,984	36,367	64,063	29,889,812
Total financial assets	2,428,793	28,714,457	37,042,622	7,246,883	150,378	75,583,133
Physical assets and deferred charges	3,152,869	194,541	537,000	1,097,457	736,396	5,718,263
Total assets	5,581,662	28,908,998	37,579,622	8,344,340	886,774	81,301,396
Liabilities						
Outside parties						
Borrowings	645,749		20,982,658	6,486,855	5,684	28,120,946
Bank of Canada notes in circulation and amounts owing to depositors		25,513,873				25,513,873
Other liabilities	1,519,696	3,276,837	4,868,692	1,758,419	211,701	11,635,345
Government and Crown corporations	592,115	88,288	10,488,580	81,814	7,458	11,258,255
Total liabilities	2,757,560	28,878,998	36,339,930	8,327,088	224,843	76,528,419
Equity of Canada	2,824,102	30,000	1,239,692	17,252	661,931	4,772,977
Total liabilities and equity	5,581,662	28,908,998	37,579,622	8,344,340	886,774	81,301,396
Contingent liabilities	28,401		776,994		73,000	878,395
REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY						
FOR THE YEAR ENDED MARCH 31, 1997						
Revenues						
Outside parties	5,622,058		3,646,666	6,493,427	353,362	16,115,513
Government and Crown corporations						
Financial assistance	1,000		6,948	13,362		21,310
Other	392,826	1,523,700	259,287		2,969	2,178,782
Total revenues	6,015,884	1,523,700	3,912,901	6,506,789	356,331	18,315,605
Expenses						
Outside parties	5,528,715		2,504,220	6,496,868	360,756	14,890,559
Government and Crown corporations	315,072	213,700	753,580	9,293	22,839	1,314,484
Total expenses	5,843,787	213,700	3,257,800	6,506,161	383,595	16,205,043
Net income/loss(-) for the year	172,097	1,310,000	655,101	628	(27,264)	2,110,562
Equity of Canada, beginning of the year	2,601,804	30,000	889,317	16,624	644,975	4,182,720
Adjustments	41,463		(338,412)		44,220	(252,729)
Equity transactions with the Government—						
Dividends	(44,921)	(1,310,000)	(16,314)			(1,371,235)
Capital	53,659		50,000			103,659
Equity of Canada, end of the year	2,824,102	30,000	1,239,692	17,252	661,931	4,772,977

Notes to Table 9.4 are an integral part of this table.

TABLE 9.4

FINANCIAL POSITION OF ENTERPRISE CROWN CORPORATIONS —ASSETS AND LIABILITIES
AS AT MARCH 31, 1997
(in thousands of dollars)

	Assets			Total assets
	Financial	Government and Crown corporations	Physical assets and deferred charges	
Enterprise Crown corporations ⁽¹⁾	Outside parties			
Competitive, self-sustaining				
Canada Development Investment Corporation	34,906	83,560		118,466
Theratronics International Limited	5,361		14,780	20,141
Canada Hibernia Holding Corporation	366,496			366,496
Canada Lands Company Limited	84,505		318,568	403,073
Canada Ports Corporation	6,124	152,028	110,739	268,891
Canada Post Corporation	666,933	299,624	1,759,225	2,725,782
Halifax Port Corporation	4,005	9,372	61,458	74,835
Montreal Port Corporation	6,350	77,765	158,312	242,427
Petro-Canada Limited	220,113	253,669		473,782
Port of Quebec Corporation	5,406	5,581	50,658	61,645
Prince Rupert Port Corporation	1,746	17,518	94,134	113,398
Royal Canadian Mint	13,637	1,204	80,461	95,302
Saint John Port Corporation	1,074	10,602	57,504	69,180
St John's Port Corporation	565	5,467	11,660	17,692
Vancouver Port Corporation	23,316	71,866	435,370	530,552
<i>Total—Competitive, self-sustaining</i>	<i>1,440,537</i>	<i>988,256</i>	<i>3,152,869</i>	<i>5,581,662</i>
Bank of Canada	2,472,315	26,242,142	194,541	28,908,998
Lending and Insurance				
Business Development Bank of Canada	4,007,680		22,125	4,029,805
Canada Deposit Insurance Corporation	845,752	83	1,569	847,404
Canada Mortgage and Housing Corporation	14,682,551	525,412	60,514	15,268,477
Insurance Programs	740,642	1,539,488	285,789	2,565,919
Export Development Corporation	9,419,761	410,543	15,246	9,845,550
Farm Credit Corporation	4,787,252	83,458	151,757	5,022,467
<i>Total—Lending and insurance</i>	<i>34,483,638</i>	<i>2,558,984</i>	<i>537,000</i>	<i>37,579,622</i>
Marketing				
Canadian Commercial Corporation	250,326	165		250,491
Canadian Dairy Commission				
Marketing operations	32,552	25,560	81,527	139,639
Canadian Wheat Board, The	6,922,723	10,642	1,000,764	7,934,129
Freshwater Fish Marketing Corporation	4,915		15,166	20,081
<i>Total—Marketing</i>	<i>7,210,516</i>	<i>36,367</i>	<i>1,097,457</i>	<i>8,344,340</i>
Other				
Atlantic Pilotage Authority	1,066	700	787	2,553
Cape Breton Development Corporation	29,759		222,801	252,560
Great Lakes Pilotage Authority, Ltd	6,232	67		6,299
Laurentian Pilotage Authority	3,996		3,340	7,336
Pacific Pilotage Authority	5,858		718	6,576
St. Lawrence Seaway Authority, The	38,833	63,296	507,098	609,227
Seaway International Bridge Corporation Ltd, The	571		1,652	2,223
<i>Total—Other</i>	<i>86,315</i>	<i>64,063</i>	<i>736,396</i>	<i>886,774</i>
Total—Enterprise	45,693,321	29,889,812	5,718,263	81,301,396

⁽¹⁾ All enterprise Crown corporations listed in this table are parent Crown corporations except the Great Lakes Pilotage Authority, Ltd. and Seaway International Bridge Corporation Ltd, which is an unconsolidated subsidiary.

Liabilities					
Outside parties		Government and Crown corporations	Total liabilities	Equity of Canada	Total liabilities and equity
Borrowings	Other				
	9,804	14,520	24,324	94,142	118,466
		15,622	15,622	4,519	20,141
	2,638		2,638	363,858	366,496
37,057	74,692	41,701	153,450	249,623	403,073
	13,949	240,295	254,244	14,647	268,891
176,602	1,295,041	125,401	1,597,044	1,128,738	2,725,782
	4,691	1,391	6,082	68,753	74,835
	9,013	5,135	14,148	228,279	242,427
432,090	38,209		470,299	3,483	473,782
	2,857	243	3,100	58,545	61,645
	1,921	9,997	11,918	101,480	113,398
	31,434	501	31,935	63,367	95,302
	3,771	67	3,838	65,342	69,180
	702	57	759	16,933	17,692
	30,974	137,185	168,159	362,393	530,552
645,749	1,519,696	592,115	2,757,560	2,824,102	5,581,662
	28,790,710	88,288	28,878,998	30,000	28,908,998
3,370,970	187,422	3,819	3,562,211	467,594	4,029,805
	1,158,331	865,253	2,023,584	(1,176,180)	847,404
7,865,662	342,131	7,032,046	15,239,839	28,638	15,268,477
	2,541,389	5,784	2,547,173	18,746	2,565,919
7,820,423	563,637	18,321	8,402,381	1,443,169	9,845,550
1,925,603	75,782	2,563,357	4,564,742	457,725	5,022,467
20,982,658	4,868,692	10,488,580	36,339,930	1,239,692	37,579,622
	232,966	273	233,239	17,252	250,491
	92,599	47,040	139,639		139,639
6,473,651	1,425,977	34,501	7,934,129		7,934,129
13,204	6,877		20,081		20,081
6,486,855	1,758,419	81,814	8,327,088	17,252	8,344,340
	1,240		1,240	1,313	2,553
	168,099	6,091	174,190	78,370	252,560
	2,517		2,517	3,782	6,299
5,676	4,012		9,688	(2,352)	7,336
	3,926		3,926	2,650	6,576
	31,067		31,067	578,160	609,227
8	840	1,367	2,215	8	2,223
5,684	211,701	7,458	224,843	661,931	886,774
28,120,946	37,149,218	11,258,255	76,528,419	4,772,977	81,301,396

TABLE 9.5

REVENUES, EXPENSES AND OTHER CHANGES IN EQUITY OF ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1997
(in thousands of dollars)

	Revenues			
	Outside parties	Government and Crown corporations		Total
		Financial assistance ⁽¹⁾	Other	
Enterprise Crown corporations				
Competitive, self-sustaining				
Canada Development Investment Corporation	16,746		298	17,044
Theratronics International Limited	36,402			36,402
Canada Hibernia Holding Corporation				
Canada Lands Company Limited	226,756			226,756
Canada Ports Corporation	59,614	1,000	5,448	66,062
Canada Post Corporation	4,822,375		280,698	5,103,073
Halifax Port Corporation	13,353		458	13,811
Montreal Port Corporation	50,487		10,316	60,803
Petro-Canada Limited	20,740		21,083	41,823
Port of Quebec Corporation	12,428		1,019	13,447
Prince Rupert Port Corporation	13,301		735	14,036
Royal Canadian Mint	266,552		68,944	335,496
Saint John Port Corporation	13,278		431	13,709
St John's Port Corporation	3,017		373	3,390
Vancouver Port Corporation	67,009		3,023	70,032
<i>Total—Competitive, self-sustaining</i>	<i>5,622,058</i>	<i>1,000</i>	<i>392,826</i>	<i>6,015,884</i>
Bank of Canada			<i>1,523,700</i>	<i>1,523,700</i>
Lending and insurance				
Business Development Bank of Canada	362,651	6,948		369,599
Canada Deposit Insurance Corporation	560,648		268	560,916
Canada Mortgage and Housing Corporation	1,056,583		75,302	1,131,885
Insurance Programs	417,431		127,444	544,875
Export Development Corporation	857,583		25,440	883,023
Farm Credit Corporation	391,770		30,833	422,603
<i>Total—Lending and insurance</i>	<i>3,646,666</i>	<i>6,948</i>	<i>259,287</i>	<i>3,912,901</i>
Marketing				
Canadian Commercial Corporation	907,544	10,941		918,485
Canadian Dairy Commission				
Marketing operations	326,939	2,421		329,360
Canadian Wheat Board, The	5,215,940			5,215,940
Freshwater Fish Marketing Corporation	43,004			43,004
<i>Total—Marketing</i>	<i>6,493,427</i>	<i>13,362</i>		<i>6,506,789</i>
Other				
Atlantic Pilotage Authority	8,419			8,419
Cape Breton Development Corporation	167,211		88	167,299
Great Lakes Pilotage Authority, Ltd	12,683			12,683
Laurentian Pilotage Authority	35,332			35,332
Pacific Pilotage Authority	37,598			37,598
St. Lawrence Seaway Authority, The	89,253		2,881	92,134
Seaway International Bridge Corporation Ltd, The	2,866			2,866
<i>Total—Other</i>	<i>353,362</i>		<i>2,969</i>	<i>356,331</i>
Total—Enterprise	16,115,513	21,310	2,178,782	18,315,605

Notes to Table 9.4 are an integral part of this table.

⁽¹⁾ This column records only that portion of financial assistance received or receivable from the federal Government that has been credited to operations. A further amount of \$176,440 representing capital and operating appropriations received by the corporations is included in "Equity transactions with Government". Revenues "Other" include amounts generated from the sale of goods and services, investment income as well as grants where the corporations qualify as a member of a general class of recipients. The total financial assistance accounted for by the corporations during the year does not agree with the amount reported in Table 9.10 because of differences resulting from the different accounting policies followed.

Outside parties	Expenses		Income/or loss(-)	Equity beginning of year	Adjustments	Equity transactions with Government		Equity end of year
	Government and Crown corporations	Total				Dividends	Capital	
2,519		2,519	14,525	108,360	2,507	(31,250)		94,142
38,908		38,908	(2,506)	7,025				4,519
	772	772	(772)	310,971			53,659	363,858
216,350	15	216,365	10,391	250,132	(10,900)			249,623
35,971	15,176	51,147	14,915	(1,068)	800			14,647
4,705,938	284,612	4,990,550	112,523	1,026,215		(10,000)		1,128,738
10,221	214	10,435	3,376	65,828		(451)		68,753
46,976	2,707	49,683	11,120	220,355		(3,196)		228,279
40,214		40,214	1,609	1,874				3,483
12,544	397	12,941	506	51,721	6,318			58,545
11,650	1,038	12,688	1,348	95,156	5,000	(24)		101,480
332,431	90	332,521	2,975	60,392				63,367
10,581	390	10,971	2,738	24,855	37,749			65,342
2,461	232	2,693	697	16,247	(11)			16,933
61,951	9,429	71,380	(1,348)	363,741				362,393
5,528,715	315,072	5,843,787	172,097	2,601,804	41,463	(44,921)	53,659	2,824,102
	213,700	213,700	1,310,000	30,000		(1,310,000)		30,000
316,627	2,304	318,931	50,668	370,328		(3,402)	50,000	467,594
16,814	85,597	102,411	458,505	(1,300,973)	(333,712)			(1,176,180)
753,404	388,531	1,141,935	(10,050)	38,688				28,638
440,078	115,435	555,513	(10,638)	42,296		(12,912)		18,746
774,523	(17,522)	757,001	126,022	1,319,147	(2,000)			1,443,169
202,774	179,235	382,009	40,594	419,831	(2,700)			457,725
2,504,220	753,580	3,257,800	655,101	889,317	(338,412)	(16,314)	50,000	1,239,692
914,265	3,592	917,857	628	16,624				17,252
323,659	5,701	329,360						
5,215,940		5,215,940						
43,004		43,004						
6,496,868	9,293	6,506,161	628	16,624				17,252
7,641		7,641	778	535				1,313
179,935	17,505	197,440	(30,141)	65,011	43,500			78,370
11,592		11,592	1,091	2,691				3,782
38,066		38,066	(2,734)	(338)	720			(2,352)
36,791		36,791	807	1,843				2,650
84,307	4,892	89,199	2,935	575,225				578,160
2,424	442	2,866		8				8
360,756	22,839	383,595	(27,264)	644,975	44,220			661,931
14,890,559	1,314,484	16,205,043	2,110,562	4,182,720	(252,729)	(1,371,235)	103,659	4,772,977

Borrowings by Agent Enterprise Crown Corporations

Table 9.6 summarizes the borrowing transactions by agent enterprise Crown corporations made on behalf of Her Majesty. This information is published to satisfy section 49 of the *Financial Administration Act* (FAA) which requires that "An annual statement of all borrowing transactions on behalf of Her Majesty shall be included in the *Public Accounts of Canada*". The borrowings are from other than the Government. In accordance with section 54 of the FAA, the payment of all money borrowed by agent enterprise Crown corporations and interest thereon is a charge on and payable out of the Consolidated Revenue Fund. Such borrowings therefore constitute obligations of the Government and are recorded as such in the accounts of Canada net of borrowings expected to be repaid directly by these corporations. As at March 31, 1997, an allowance for borrowings expected to be repaid by the Government was established at \$3,980 million.

Borrowings by non-agent enterprise Crown corporations are not included in this table because such borrowings are not on behalf of Her Majesty. Table 9.7 provides information on borrowings of such corporations.

TABLE 9.6

BORROWINGS BY AGENT ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/1996	Borrowings and other credits	Repayments and other charges	Balance March 31/1997
Business Development Bank of Canada	3,045,155	5,424,547	5,098,732	3,370,970
Canada Lands Company Limited	63,526	10,000	36,469	37,057
Canada Mortgage and Housing Corporation	5,906,037	10,700,023	8,740,398	7,865,662
Canada Post Corporation	198,994		22,392	176,602
Canadian Wheat Board, The	6,377,342	61,968,067	61,871,758	6,473,651
Export Development Corporation	7,673,336	147,368	281	7,820,423
Farm Credit Corporation	1,582,345	1,929,483	1,586,225	1,925,603
Freshwater Fish Marketing Corporation	9,673	13,092	9,561	13,204
Petro-Canada Limited	489,573	7,896	65,379	432,090
Royal Canadian Mint	4,500		4,500	
Saint John Port Corporation	19,696		19,696	
Seaway International Bridge Corporation, Ltd., The	8			8
Total	25,370,185	80,200,476	77,455,391	28,115,270
Borrowings expected to be repaid by agent enterprise Crown corporations	(21,180,185)	80,200,476	77,665,391	(24,135,270)
Allowance for borrowings of agent enterprise Crown corporations expected to be repaid by the Government and reported on the Statement of Assets and Liabilities	4,190,000		210,000	3,980,000

Notes to Table 9.4 are an integral part of this table.

Borrowings by Enterprise Crown Corporations

Table 9.7 summarizes the borrowing transactions of agent and non-agent enterprise Crown corporations. Borrowings of non-agent Crown corporations are not on behalf of Her Majesty.

TABLE 9.7

BORROWINGS BY ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	Balance April 1/1996	Borrowings and other credits	Repayments and other charges	Balance March 31/1997
Borrowings by agent enterprise Crown corporations	25,370,185	80,200,476	77,455,391	28,115,270
Borrowings by a non-agent enterprise Crown corporation-- Laurentian Pilotage Authority	3,347	2,329		5,676
Total	25,373,532	80,202,805	77,455,391	28,120,946

Notes to Table 9.4 are an integral part of this table.

Maturity and Currency of Borrowings by Enterprise Crown Corporations

Table 9.8 summarizes the maturity and currency of borrowings by agent and non-agent enterprise Crown corporations, as at March 31, 1997.

TABLE 9.8

MATURITY AND CURRENCY OF BORROWINGS BY ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

Year of maturity	Agent	Non-agent	Total
1998	4,666,465	3,324	4,669,789
1999	10,950,221		10,950,221
2000	3,766,986		3,766,986
2001	2,736,767	2,352	2,739,119
2002	1,644,594		1,644,594
2003 to 2007	3,869,226		3,869,226
2008 to 2012	481,011		481,011
Total	28,115,270	5,676	28,120,946 ⁽¹⁾

Notes to Table 9.4 are an integral part of this table.

(1) The borrowings are composed of \$12,942,619 US, £ 136,388, ¥ 40,724, DM 479,931, Ecu 133,936, SF 72,642, NZ dollar 95,781, Thai Bhat 2,104, HK dollar 4,334, FF 829, and \$14,211,658 Cdn.

Contingent Liabilities of Enterprise Crown Corporations

Table 9.9 summarizes the contingent liabilities of enterprise Crown corporations. A contingent liability is defined as a potential liability which may become an actual liability when one or more future events occur or fail to occur.

TABLE 9.9

CONTINGENT LIABILITIES OF ENTERPRISE CROWN CORPORATIONS

(in thousands of dollars)

	March 31, 1997
Agent enterprise Crown corporations	
Canada Mortgage and Housing Corporation—Insurance programs	82,000
Canada Lands Company Limited—loan guarantee	7,183
Canada Ports Corporation—Miscellaneous litigation	5,639
Export Development Corporation—Loan guarantees and with recourse, Insurance activities	694,994
Halifax Port Corporation—Miscellaneous litigation	2,015
Montreal Port Corporation—Miscellaneous litigation	3,200
Port of Quebec Corporation—Miscellaneous litigation	5,000
St John's Port Corporation—Miscellaneous Litigation	364
St Lawrence Seaway Authority—Claims for damages	73,000
Vancouver Port Corporation—Claims for damages	5,000
Total	878,395

Notes to Table 9.4 are an integral part of this table.

Financial Assistance Under Budgetary Appropriations to Enterprise Crown Corporations

Table 9.10 summarizes financial assistance under budgetary appropriations for both agent and non-agent enterprise Crown corporations. It should be read in conjunction with Table 9.5. The purpose for which payments have been made under budgetary appropriations is segregated between: (a) amounts to cover operating expenses and (b) amounts for capital expenditures.

All amounts reported represent charges to appropriations or authorities approved by Parliament.

TABLE 9.10

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS TO ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1997
(in thousands of dollars)

	Financial assistance under budgetary appropriations ⁽¹⁾	Purpose	
		Operations	Capital expenditures
Agent enterprise Crown corporations			
Business Development Bank of Canada	6,948	6,948	
Canada Ports Corporation	2,500	2,500	
Canada Post Corporation	72,000 ⁽²⁾	72,000	
Canadian Commercial Corporation	10,941	10,941	
Canadian Dairy Commission	2,422	2,422	
Canadian Wheat Board, The	17,116	17,116	
Cape Breton Development Corporation	43,500	43,500	
Export Development Corporation	17,820 ⁽³⁾	17,820	
Port of Quebec Corporation	6,318	6,318	
Prince Rupert Port Corporation	5,000	5,000	
Saint John Port Corporation	18,053	18,053	
Total	202,618	202,618	

⁽¹⁾ Excludes grants and contributions paid to agent and non-agent enterprise Crown corporations where they qualify as members of a general class of recipients.

⁽²⁾ Includes payment of \$58,000 for costs associated with cultural publication mailings.

⁽³⁾ Payment made pursuant to section 32 of the *Export Development Act* concerning the concessional (Canada Account) loans.

Joint and Mixed Enterprises

Joint and mixed enterprises are entities with share capital owned jointly by the Government and other governments and/or organizations to further common objectives. This group records and/or reports the Government's loans, investments and advances to such entities. Additional information on these entities is provided in the *President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada*.

Under the terms of section 147 of the *Bankruptcy and Insolvency Act*, the Superintendent of Bankruptcy has received shares in a number of corporations in lieu of a cash levy payable to the Crown.

Table 9.11 presents a summary of the balances and transactions for the various types of loans, investments and advances to joint and mixed enterprises.

TABLE 9.11
JOINT AND MIXED ENTERPRISES

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Petro-Canada—Finance	1,225,167,174			1,225,167,174
Other—				
Canarctic Shipping Company Limited—Transport				
Lower Churchill Development Corporation Limited—				
Natural Resources	14,750,000			14,750,000
National Sea Products Ltd—Finance	59,540,000			59,540,000
North Portage Development Corporation—				
Industry—Western Economic Diversification				
NPM Nuclear Project Managers Canada Inc—				
Natural Resources				
Société du parc industriel et portuaire Québec-Sud—				
Industry—Federal Office of Regional				
Development—Quebec	400			400
	74,290,400			74,290,400
Total	1,299,457,574			1,299,457,574

Petro-Canada

Petro-Canada was initially incorporated under the *Canada Business Corporations Act*, to explore for, research, develop, produce and distribute hydrocarbons and other types of fuel and energy, and to engage or invest in ventures related thereto.

The *Petro-Canada Public Participation Act*, assented to February 1, 1991, provided for the sale of Government shares.

As of March 31, 1997, the Government's holding represents 49.4 million shares, approximately 20 percent ownership of Petro-Canada.

Canarctic Shipping Company Limited

The Corporation was incorporated under the *Canada Corporations Act*, and continued under the *Canada Business Corporations Act*, to acquire, sell, lease, charter and otherwise deal in and with ships of every description, and to do all other things necessary or incidental thereto.

In 1977-78, 305,996 common shares of Canarctic Shipping Company Limited having a total value of \$305,996, and representing 51 percent of the common shares outstanding, were purchased and charged to expenditures (Transport Vote 10—Marine operating expenditures). The balance of outstanding shares is owned by North Water Navigation Ltd.

During the year, the shares were sold. The amount realized was transferred to non-tax revenues and the account was closed.

Lower Churchill Development Corporation Limited

The Corporation was incorporated under the *Companies Act of Newfoundland*, to establish a basis for the development of all or part of the hydroelectric potential of the Lower Churchill basin and the transmission of this energy to markets.

This account records the Government's investment in the capital of the Corporation. In respect of Canada's participation with the Government of Newfoundland in the development of the hydroelectric power potential of the Lower Churchill River in Labrador, the Government is authorized to purchase approximately 49 percent of the shares of the Lower Churchill Development Corporation Limited.

The Government has purchased 1,475 class A shares, representing 49 percent of the shares outstanding. The balance of the outstanding shares is owned by Newfoundland and Labrador Hydro (an agent of the Government of Newfoundland and Labrador).

National Sea Products Ltd

The Corporation was incorporated under the *Nova Scotia Companies Act*, to process and market fish, seafoods and fish by-products. The objective of the Government's participation is to restructure the Nova Scotia fishery.

Pursuant to the *Atlantic Fisheries Restructuring Act*, the Government has acquired shares in the Corporation. The Government's holding consists of 776,488 no par value non-assessable common shares. This represents 10.65 percent of the shares outstanding.

North Portage Development Corporation

The Corporation was incorporated under the *Manitoba Corporations Act*, to foster the social and economic development of the North Portage area in the core area of Winnipeg. The objective of the Government's participation is to stimulate economic recovery in Canada and Manitoba.

The Government's holding of common shares represents 33.3 percent of the shares outstanding. The Corporation is owned equally by the City of Winnipeg, the Province of Manitoba and the Government of Canada.

NPM Nuclear Project Managers Canada Inc

The Corporation was incorporated under the *Canada Business Corporations Act*, to manage nuclear projects and construction. The objective of the Government's participation is to transfer this activity from Atomic Energy of Canada Ltd to the private sector.

The Government has purchased 60 no par value common shares. The purchase cost of these shares was charged to expenditures.

The Government's holding of shares represents 17.14 percent of the shares outstanding. The balance of the outstanding shares is owned by three private sector corporations.

Société du parc industriel et portuaire Québec-Sud

The Corporation was incorporated by a Special Act of the Government of Quebec, to develop and implement plans and programs for an industrial complex, using the infrastructure of the Quebec harbour, and contributing to the development of that same infrastructure.

The Government has purchased 400 common shares of the Corporation at \$1 per share. This represents 40 percent of the authorized shares. The balance of the outstanding shares is owned by the Government of Quebec.

National Governments Including Developing Countries

Loans to national governments consist mainly of the loan to the government of the United Kingdom under the *United Kingdom Financial Agreement Act, 1946*, international development assistance to developing countries, and loans for development of export trade (administered by the Export Development Corporation).

Table 9.12 presents a summary of the balances and transactions for the loans and advances that were made to national governments including developing countries.

TABLE 9.12

NATIONAL GOVERNMENTS INCLUDING DEVELOPING COUNTRIES

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Finance—				
China	49,426,118			49,426,118
Jamaica	22,818,463		3,735,129	19,083,334
United Kingdom—				
United Kingdom Financial Agreement Act, 1946	177,764,796		34,154,959	143,609,837
Deferred principal	94,990,863			94,990,863
	272,755,659		34,154,959	238,600,700
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	1,122,722,266	153,309,509	186,006,855	1,090,024,920
Developing countries—Canadian International Development Agency—International development assistance	1,752,582,066	1,800,385	77,533,802	1,676,848,649
National Defence—				
North Atlantic Treaty Organization—Damage claims recoverable	293,960	89,914		383,874
Total	3,220,598,532	155,199,808	301,430,745	3,074,367,595

China

A loan to China was authorized under the *Export Credits Insurance Act*.

Jamaica

A loan has been made to the Government of Jamaica, to provide economic assistance.

The loan agreement has been amended by the following Rescheduling Agreements:

- the Rescheduling Agreement dated October 18, 1985, provided for the deferment of the principal repayment in the amount of \$5,000,000 due on August 9, 1985;
- the Rescheduling Agreement dated June 4, 1987, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1986 and August 9, 1987; and,
- the Rescheduling Agreement dated July 25, 1989, provided for the deferment of principal repayments totalling \$10,000,000 due on August 9, 1988 and August 9, 1989.

United Kingdom

United Kingdom Financial Agreement Act, 1946

Under authority of the *United Kingdom Financial Agreement Act, 1946*, a credit of \$1,250,000,000 was extended by the Government of Canada to the government of the United Kingdom to facilitate purchases by the United Kingdom of goods and services in Canada and to assist the government of the United Kingdom in meeting transitional post-war deficits in its current balance of payments, in maintaining adequate reserves of gold and dollars, and in assuming the obligations of multilateral trade. The amount of the credit drawn by December 31, 1951 was to be repaid in 50 annual instalments beginning on that date, with interest at the rate of 2 percent per annum, with the final instalment on December 31, 2000.

Deferred principal

The agreement, as amended in 1957, provides for the deferment of interest in respect of the year 1956 and of seven instalments of principal and interest after December 31, 1956, under certain conditions. Interest for 1956, and interest and principal for 1957, 1964, 1965, 1968 and 1976 were deferred. The maturity of the deferrals is to commence December 31, 2001, and continue until December 31, 2006.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans to foreign customers where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were authorized under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority

because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

The following table presents the balances and transactions for the loans made to national governments, together with their terms and conditions of repayments. The subtotal of budgetary loans includes total payments for concessional loans under both budgetary and non-budgetary authorities. Loans made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		March 31/1997 \$	
	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation		
	April 1/1996 \$	\$	\$	\$		
NON-BUDGETARY LOANS						
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 11 percent interest per annum, with final repayments between May 1988 and November 1997:						
Argentina	53,510,208	85,456	23,758,808		29,836,856	
Brazil	3,499,819	30,628	1,754,344	2,416	1,773,687	
Cameroun	3,659,911	26,565	1,910,073		1,776,403	
Jamaica	1,857,790	21,412	670,625		1,208,577	
Kazakhstan	1,630,972	12,850	650,092		993,730	
Mexico	5,953,081	67,134	1,240,235		4,779,980	
Peru	1,036,324				1,036,324	
Russia and USSR	67,392,044	1,043,114			68,435,158	
Sudan	1,712,623	26,508			1,739,131	
Ukraine	3,995,559		3,289,526	40	705,993	
	144,248,331	1,313,667	33,273,703	2,456	112,285,839	
(b) 6 to 10 year term, 5.93 percent (LIBOR) to 10.5 percent interest per annum, with final repayments between July 2000 and March 2007:						
Algeria	16,380,050	7,248,617	352,466	2,396,927	21,584,206	
Argentina	62,568,169	1,733,523	993,669		65,295,361	
Cameroun	11,093,890		140,628	1,711,152	9,523,366	
China	93,499,525	19,265	1,372,983	3,645,682	91,246,091	
Congo	402,630	359,885	33,787		796,302	
Cuba		6,946,459			6,946,459	
Ecuador	7,345,427		89,851	1,840,937	5,594,341	
Egypt	4,081,154		47,651	1,365,924	2,762,881	
Gabon	22,661,287	749,193	427,502	3,511,363	20,326,619	
Jamaica	8,396,461		96,415	1,909,412	6,583,464	
Kazakhstan	13,730,644		163,081	3,999,791	9,893,934	
Kenya	13,365,019		192,161	1,581,986	11,975,194	
Lithuania	6,782,367	520,831	57,900	4,702,661	2,658,437	
Morocco	151,047,662		1,901,483	18,777,626	134,171,519	
Romania	316,563,270	5,174,959	4,959,899	15,952,402	310,745,726	
Russia		9,561,486	92,475	611,876	9,042,085	
Rwanda	6,116,218		94,669		6,210,887	
Sudan	7,249,745		112,214		7,361,959	
Venezuela		24,765,913	354,139		25,120,052	
	741,283,518	57,080,131	11,482,973	62,007,739	747,838,883	
(c) 11 to 15 year term, 5.93 percent (LIBOR) to 11.5 percent interest per annum, with final repayments between July 1996 and January 2007:						
Algeria	121,027	878,138			999,165	
Argentina	31,416,711			617,864	30,798,847	
Brazil	7,795,416		12,631	465,311	7,342,736	
	39,333,154	878,138	12,631	1,083,175	39,140,748	
Insurance claims paid during the year:						
Cuba	23,759,718	6,125,736		4,311,360	25,574,094	
Russia	14,656,580		133,312		14,789,892	
	38,416,298	6,125,736	133,312	4,311,360	40,363,986	
Total—Non-budgetary	963,281,301	64,084,005	12,942,583	100,675,977	939,629,456	

	Payments and other charges			Receipts and other credits		March 31/1997
	April 1/1996	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation	
	\$	\$	\$	\$	\$	\$
BUDGETARY LOANS⁽³⁾						
(a) 1 to 15 year term, 6.9 percent (LIBOR) to 11 percent interest per annum, with final repayments between April 1997 and June 2012:						
Argentina	21,575,000			8,630,000		12,945,000
Chile	1,146,251		10,813	458,669		698,395
Egypt	4,876,040		64,349	979,178		3,961,211
Madagascar	24,424,214		378,045			24,802,259
Poland	42,413,432		656,487			43,069,919
Tanzania	37,293,154		577,234			37,870,388
Zambia	8,061,329		105,161			8,166,490
	139,789,420		1,792,089	10,067,847		131,513,662
(b) 16 to 20 year term, 0 percent to 3.5 percent interest per annum, with final repayments between March 2008 and March 2011:						
Mexico	21,854,822		316,432	1,827,581		20,343,673
Thailand	30,235,768		248,543	2,088,383		28,395,928
	52,090,590		564,975	3,915,964		48,739,601
(c) 21 to 25 year term, 0 percent to 3.5 percent interest per annum, with final repayments between November 1999 and July 2036:						
Algeria	12,895,138			878,138		12,017,000
China	345,614,152	45,713,828	5,978,952			397,306,932
Congo	3,508,877		48,741	359,885		3,197,733
Indonesia	43,968,211		586,190			44,554,401
	405,986,378	45,713,828	6,613,883	1,238,023		457,076,066
(d) 31 to 55 year term, 0 percent interest per annum, with final repayment in July 2042:						
Cameroun	21,848,010				1,276,484	20,571,526
China	191,997,704	9,040	2,972,094			194,978,838
Egypt	14,138,160		69,331			14,207,491
Gabon	12,363,121		191,360			12,554,481
India	69,185,342		1,070,871			70,256,213
Jamaica	9,977,463		154,434			10,131,897
Kenya	10,360,724		156,366	272,871		10,244,219
Morocco	139,956,761		2,166,291			142,123,052
Pakistan	10,274,429			129,165	103,059	10,042,205
Turkey	141,612,807	6,754,140	2,281,469			150,648,416
	621,714,521	6,763,180	9,062,216	402,036	1,379,543	635,758,338
Subtotal—Budgetary	1,219,580,909	52,477,008	18,033,163	15,623,870	1,379,543	1,273,087,667
Less: budgetary treatment	1,060,139,944	4,496,266	1,276,484	52,477,007	15,848,002	1,122,692,203
Total—Budgetary	159,440,965	56,973,274	19,309,647	68,100,877	17,227,545	150,395,464
Total	1,122,722,266	121,057,279	32,252,230	168,776,854	17,230,001	1,090,024,920
SUMMARY						
Total—Non-budgetary	963,281,301	64,084,005	12,942,583	100,675,977	2,456	939,629,456
Total—Budgetary	1,219,580,909	52,477,008	18,033,163	15,623,870	1,379,543	1,273,087,667
	2,182,862,210	116,561,013	30,975,746	116,299,847	1,381,999	2,212,717,123
Less: budgetary treatment	1,060,139,944	4,496,266	1,276,484	52,477,007	15,848,002	1,122,692,203
Total	1,122,722,266	121,057,279	32,252,230	168,776,854	17,230,001	1,090,024,920

⁽¹⁾ Payments or other charges may include transactions such as loans, adjustments, etc.

⁽²⁾ Receipts or other credits may include transactions such as repayments, forgiveness, etc.

⁽³⁾ Concessional non-budgetary loans made prior to April 1, 1987 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans in this table.

Developing countries—International development assistance

Interest-free or low interest bearing loans have been made through the Canadian International Development Agency to developing countries for international development assistance. Prior to April 1, 1986, these loans were authorized by miscellaneous non-budgetary authorities. Any balances still outstanding at March 31, 1986 have been fully provided for in the allowance for valuation of assets. Loan payments after March 31, 1986 have been made under various budgetary authorities.

During the year, loans totalling \$20,143,100 were forgiven under the authority of Foreign Affairs and International Trade Vote 21b, *Appropriation Act No. 4, 1996-97*.

The following table presents the balances and transactions for the loans made to developing countries, together with their terms and conditions of repayments. The subtotal of loans to

individual countries includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Payments made under budgetary authority to all countries are deducted as a lump sum amount under the caption "budgetary treatment".

All loans have been made in Canadian dollars and are therefore not subject to revaluations for foreign exchange fluctuations.

Similar assistance has been provided to developing countries by way of subscriptions and advances to the International Development Association, advances to the Global Environment Facility, and loans to other international financial institutions. These are reported later in this section under the heading "International organizations".

	April 1/1996	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1997
	\$	\$	\$	\$
(a) 10 year term, 1 year grace period, 5 percent interest per annum, with final repayments between January 2002 and July 2002:				
Egypt	54,537,641		9,541,708	44,995,933
(b) 20 year term, 5 year grace period, 5 percent interest per annum, with final repayments between September 2000 and March 2001:				
Turkey	7,556,081		2,063,913	5,492,168
(c) 30 year term, 7 year grace period, 3 percent interest per annum, with final repayments between September 1996 and January 2012:				
Brazil	6,968,943		746,889	6,222,054
Chile	457,181		182,819	274,362
Colombia	6,179,571		2,089,008	4,090,563
Cuba	9,547,012			9,547,012
Dominican Republic	1,431,612		96,012	1,335,600
Korea			43,428	
Malaysia	4,517,259		577,317	3,939,942
Salvador, El.	1,199,026		1,199,026	
Turkey	3,844,565		642,584	3,201,981
	34,188,597		5,577,083	28,611,514
(d) 35 year term, 5 year grace period, non-interest bearing, with final repayments between April 2001 and November 2005:				
Salvador, El.	1,241,362		171,939	1,069,423
(e) 40 year term, 10 year grace period, non-interest bearing, with the final repayment in March 2007:				
Thailand	361,654		33,333	328,321

	April 1/1996	Payments and other charges	Receipts and other credits ⁽¹⁾	March 31/1997
	\$	\$	\$	\$
(f) 50 year term, 10 year grace period, non-interest bearing, with final repayments between March 2015 and September 2035:				
Algeria	12,786,873			12,786,873
Argentina	401,333		18,667	382,666
Bolivia	1,102,272		42,395	1,059,877
Brazil	491,484		20,692	470,792
Chile	2,175,986		98,062	2,077,924
Colombia	12,469,187		1,101,297	11,367,890
Costa Rica	20,441,619		2,272,324	18,169,295
Dominican Republic	6,574,397		236,055	6,338,342
Ecuador	7,854,223		304,919	7,549,304
Guatemala	3,085,613		100,000	2,985,613
Honduras	24,762,972		3,303,052	21,459,920
India	567,293,962		19,647,064	547,646,898
Indonesia	234,562,260		7,171,101	227,391,159
Malaysia	2,237,972		57,982	2,179,990
Malta	699,980		25,000	674,980
Mexico	59,584		2,771	56,813
Morocco	14,691,199			14,691,199
Myanmar (Burma)	8,306,202			8,306,202
Nicaragua	16,023,270		900,000	15,123,270
Pakistan	479,621,427		16,056,729	463,564,698
Paraguay	409,931		11,862	398,069
Peru	83,900		11,862	72,038
Philippines	3,150,967		194,416	2,956,551
Salvador, El	176,327		176,327	
Sri Lanka	136,004,476		4,250,399	131,754,077
Thailand	28,442,427		847,120	27,595,307
Tunisia	92,980,628		3,295,730	89,684,898
	1,676,890,471		60,145,826	1,616,744,645
(g) 53 year term, 13 year grace period, non-interest bearing, with the final repayment in September 2025:				
Algeria	36,730,193			36,730,193
Subtotal	1,811,505,999		77,533,802	1,733,972,197
Less: budgetary treatment	58,923,933	1,800,385 ⁽²⁾		57,123,548
Total	1,752,582,066	1,800,385	77,533,802	1,676,848,649

Note: Grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

(1) Receipts and other credits may include transactions such as repayments, forgiveness, etc.

(2) This amount represents an adjustment to reduce the allowance regarding the reimbursements of budgetary loans.

North Atlantic Treaty Organization—Damage claims recoverable

Article VIII of the NATO Status of Forces Agreement signed April 4, 1949, as amended, deals with claims for damages to third parties arising from accidents in which a member of a visiting force is involved. This account is charged with the amount recoverable from other states, for claims for damages which took place in Canada, and is credited with recoveries.

The advances are non-interest bearing and have no specific repayment terms.

International Organizations

This group records Canada's subscriptions to the share capital of international banks. It also includes loans and advances to associations and other international organizations. Table 9.13 groups these subscriptions, loans and advances according to whether they are treated as non-budgetary assets, or else as charges to budgetary expenditures.

Canada's subscriptions to the share capital of a number of international banks are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investments but are repayable on termination of the organization or withdrawal from it.

Paid-in capital subscriptions are made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Although payable on demand, these notes are typically encashed according to terms of agreements reached between the organization and participating countries. Canada's subscriptions to the paid-in capital of these organizations are reported in Table 9.13 as non-budgetary assets.

Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the banks, would only be utilized in extreme circumstances to repay loans, should a bank's reserves not be sufficient. It represent a contingent liability of the Government, and is listed with other contingent liabilities related to international organizations in Table 10.8 (Section 10 of this volume).

Most loans and advances to international organizations are given budgetary treatment, since they are made to banks and associations that use these funds to make loans to developing countries at significant concessionary terms. Loans and advances for concessionary lending made since April 1, 1986 are charged directly to budgetary appropriations, and are therefore deducted from the asset values at the end of Table 9.13 under the caption "budgetary treatment". Similar loans and advances made prior to April 1, 1986 were authorized by non-budgetary authorities, but are fully provided for in the allowance for valuation of assets. All of these loans and advances are included in the budgetary section of Table 9.13.

Table 9.13 presents a summary of the balances and transactions for share capital, loans and advances to international organizations. Table 10.9 (Section 10 of this volume) presents additional information on contingent liabilities and commitments for international organizations that are disclosed in the notes to the audited financial statements in Section 1 of this volume.

The notes payable outstanding at year end of \$1,793,139,936 (\$1,904,534,118 in 1996) are now reported in Table 5.3 (Section 5 of this volume).

TABLE 9.13
INTERNATIONAL ORGANIZATIONS

	Payments and other charges			Receipts and other credits		March 31/1997
	April 1/1996	Participation or other charges	Revaluation	Reimbursements or		
				other credits	Revaluation	
	\$	\$	\$	\$	\$	
NON-BUDGETARY SHARE CAPITAL, LOANS AND ADVANCES						
Capital subscriptions—						
Finance—						
European Bank for Reconstruction and Development	161,780,496		3,011,586			164,792,082
International Bank for Reconstruction and Development (World Bank)	390,957,854		2,655,733			393,613,587
International Finance Corporation	100,937,639	9,540,704	2,131,522			112,609,865
Multilateral Investment Guarantee Agency	8,720,339		162,331			8,882,670
	662,396,328	9,540,704	7,961,172			679,898,204
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
African Development Bank	92,980,995		640,933			93,621,928
Asian Development Bank	179,268,691	7,644,183	2,836,316			189,749,190
Caribbean Development Bank	22,532,031	(1,058,410) ⁽¹⁾	347,629			21,821,250
Inter-American Development Bank	217,193,609	5,544,122	4,110,400			226,848,131
	511,975,326	12,129,895	7,935,278			532,040,499
	1,174,371,654	21,670,599	15,896,450			1,211,938,703
Loans and advances—						
Finance—						
International Monetary Fund—						
Enhanced Structural Adjustment Facility	424,591,336	144,735,700		15,379,245	16,381,488	537,566,303
Foreign Affairs and International Trade—						
International organizations and associations—						
Berne Union of the World Intellectual Property Organization	50,114			8,032		42,082
Customs Co-operation Council	12,374			1,292		11,082
Food and Agriculture Organization	1,226,880	18,990				1,245,870
General Agreement on Tariffs and Trade	62,407			10,002		52,405
International Maritime Organization	2,257	214				2,471
International Atomic Energy Agency	521,832	8,078				529,910
International Civil Aviation Organization	233,925	3,621				237,546
Paris Union of the World Intellectual Property Organization	129,132			20,696		108,436
United Nations Educational, Scientific and Cultural Organization	1,018,883	15,771				1,034,654
United Nations organizations	4,239,552	65,621				4,305,173
World Health Organization	211,391	3,273				214,664
	7,708,747	115,568		40,022		7,784,293
	432,300,083	144,851,268		15,419,267	16,381,488	545,350,596
Total—Non-budgetary	1,606,671,737	166,521,867	15,896,450	15,419,267	16,381,488	1,757,289,299

TABLE 9.13

INTERNATIONAL ORGANIZATIONS—*Concluded*

	Payments and other charges			Receipts and other credits		March 31/1997
	April 1/1996	Participation or other charges	Revaluation	Reimbursements or other credits	Revaluation	
		\$	\$	\$	\$	
BUDGETARY LOANS AND ADVANCES⁽²⁾						
Finance—						
Global Environment Facility.....	10,000,000					10,000,000
International Development Association.....	4,952,758,061	216,370,000				5,169,128,061
	4,962,758,061	216,370,000				5,179,128,061
Foreign Affairs and International Trade—						
Canadian International Development Agency—						
International financial institutions—						
African Development Bank.....	3,093,896			125,000		2,968,896
African Development Fund.....	1,160,294,168	40,656,199	1,897,499			1,202,847,866
Andean Development Corporation.....	3,437,576			125,000		3,312,576
Asian Development Bank—Special.....	27,027,000					27,027,000
Asian Development Fund.....	1,398,435,880					1,398,435,880
Caribbean Development Bank—						
Agricultural Development Fund.....	2,000,000					2,000,000
Caribbean Development Bank—						
Commonwealth Caribbean Regional.....	5,436,400		101,200			5,537,600
Caribbean Development Bank—Special.....	113,493,080		317,515			113,810,595
Central American Bank for Economic Integration.....	1,644,779			76,500		1,568,279
Global Environment Facility Trust Fund.....	74,000,000					74,000,000
Inter-American Development Bank—Fund for Special						
Operations.....	357,931,996	8,043,085	4,571,158			370,546,239
Multilateral Investment Fund.....	11,388,294					11,388,294
International Bank for Reconstruction and						
Development.....	27,182,000		506,000			27,688,000
International Fund for Agriculture Development.....	90,207,432					90,207,432
International Monetary Fund.....	14,908,555		277,527			15,186,082
Montreal Protocol Fund.....	11,332,175	5,633,153	349,362			17,314,690
	3,301,813,231	54,332,437	8,020,261	326,500		3,363,839,429
Subtotal—Budgetary.....	8,264,571,292	270,702,437	8,020,261	326,500		8,542,967,490
Less: budgetary treatment.....	4,306,470,988			376,436,114		4,682,907,102
Total—Budgetary.....	3,958,100,304	270,702,437	8,020,261	376,762,614		3,860,060,388
Total.....	5,564,772,041	437,224,304	23,916,711	392,181,881	16,381,488	5,617,349,687
SUMMARY						
Participation.....	9,871,243,029	437,224,304	23,916,711	15,745,767	16,381,488	10,300,256,789
Less: budgetary treatment.....	4,306,470,988			376,436,114		4,682,907,102
Total.....	5,564,772,041	437,224,304	23,916,711	392,181,881	16,381,488	5,617,349,687

(1) An adjustment was made to previous notes.

(2) Concessional non-budgetary loans and advances made prior to April 1, 1986 have been fully provided for in the allowance for valuation of assets and are included with budgetary loans and advances in this table.

European Bank for Reconstruction and Development

This account records Canada's subscriptions to the capital of the European Bank for Reconstruction and Development, as authorized by the *European Bank for Reconstruction and Development Agreement Act*, and various appropriation acts.

At year-end, Canada has subscribed to 34,000 shares of the capital stock of which 30 percent of the subscribed capital is paid-in. These 34,000 shares represent Canada's initial subscription, as authorized by the *European Bank for Reconstruction and Development Agreement Act*. The Act quoted a limit of US \$120 million in respect of the paid-in portion. The subscription for the paid-in portion was paid over a five-year period starting in 1991. Paid-in shares were purchased using cash and notes payable that were or will be later encashed.

The total value of these shares is \$396,783,400 US, of which 30 per cent or \$119,035,020 US is paid-in capital. The rest is subject to call by the Bank under certain circumstances. As at March 31, 1997, Canada has subscribed to paid-in shares valued at \$119,035,020 US. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn).

During the year, the only transaction was a revaluation adjustment.

Canada's contingent liability for the callable portion of its shares is \$277,748,380 US.

International Bank for Reconstruction and Development (World Bank)

This account records Canada's subscriptions to the capital of the International Bank for Reconstruction and Development, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1997, Canada has subscribed to 44,795 shares. The total value of these shares is \$5,403,844,825 US, of which \$114,341,194 US plus \$235,319,638 Cdn has been paid-in. The remaining portion is callable. The foreign portion of the payments was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn).

During the year, the only transaction was a revaluation adjustment of \$2.7 million.

The callable portion is subject to call by the Bank under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$5,069 million US.

International Finance Corporation

This account records Canada's subscriptions to the capital of the International Finance Corporation, which is part of the World Bank Group, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1997, Canada has subscribed to 81,342 shares. These shares have a total value of \$81,342,000 US, all of which has been paid-in. The paid-in amounts were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn).

During the year, transactions involving paid-in shares included subscriptions in cash and a revaluation adjustment.

Multilateral Investment Guarantee Agency

This account records Canada's subscriptions to the capital of the Multilateral Investment Guarantee Agency, as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

As at March 31, 1997, Canada has subscribed to 2,965 shares. The total value of these shares is \$32,081,300 US, of which \$6,416,260 US is paid-in and the remaining portion is callable. These foreign currency balances were translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn).

During the year, the only transaction involving the paid-in portion was a revaluation adjustment.

The callable portion is subject to call by the Agency under certain circumstances. Canada's contingent liability for the callable portion of its shares is \$25,665,040 US.

African Development Bank

This account records Canada's subscriptions to the capital of the African Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 6,300 paid-in shares and 44,100 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1997, Canada's participation to the paid-in capital is \$93,621,928 Cdn for 6,300 paid-in shares and of these paid-in shares, 2,100 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn). During the year, transactions involving paid-in shares included only an adjustment to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$409,853,052 Cdn and \$177,332,421 US for a total value of \$655,352,056 Cdn.

Asian Development Bank

This account records Canada's subscriptions to the capital of the Asian Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30 *Appropriation Acts No. 1 and No. 2, 1996-97*).

At year-end, authority had been granted for subscriptions of 12,961 paid-in shares and 172,125 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1997, Canada's participation to the paid-in capital is \$189,749,190 Cdn for 11,850 paid-in shares. Of these paid-in shares, 9,480 were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn). During the year, transactions involving paid-in shares included additional subscriptions in cash and through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$1,533,210,533 US and \$596,976,219 Cdn for a total value of \$2,719,552,880 Cdn. Of this latter amount, \$908,772,442 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

Caribbean Development Bank

This account records Canada's subscriptions to the capital of the Caribbean Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts.

At year-end, authority had been granted for subscriptions of 2,278 paid-in shares and 8,124 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1997, Canada's participation to the paid-in capital is \$21,821,251 Cdn for 2,278 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn). During the year, transactions involving paid-in shares included an adjustment of previous notes for the maintenance of value. In addition, an adjustment was made to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$49,001,856 US for a total value of \$67,838,169 Cdn.

Inter-American Development Bank

This account records Canada's subscriptions to the capital of the Inter-American Development Bank, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L30, *Appropriation Acts No. 1 and No. 2, 1996-97*).

At year-end, authority had been granted for subscriptions of 14,397 paid-in shares and 320,490 callable shares. Paid-in shares are purchased using cash and notes payable that are later encashed.

As at March 31, 1997, Canada's participation to the paid-in capital is \$226,848,132 Cdn for 13,390 paid-in shares. These shares were issued in US dollars. The foreign currency balance was translated into Canadian dollars at the year-end closing rate of exchange (\$1 US/\$1.3844 Cdn). During the year, transactions involving paid-in shares included additional subscriptions made through the issuance of non-interest bearing notes. In addition, an adjustment was made at year-end to revalue amounts subscribed in foreign currencies.

The callable shares are subject to call by the Bank under certain circumstances. Canada's contingent liability for callable shares has a current value of \$3,866,208,680 US for a total value of \$5,352,379,297 Cdn. Of this latter amount, \$932,846,112 Cdn represents future callable shares since an agreement with the Bank has not yet been completed.

International Monetary Fund—Enhanced Structural Adjustment Facility

This account records the loan to the International Monetary Fund in order to provide assistance to debt distressed, low-income countries as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts.

The total loan authority pursuant to the *Bretton Woods and Related Agreements Act* was set at \$550 million or such greater amount as may be fixed by the Governor in Council. The Governor in Council subsequently increased the limit to SDR 500 million.

As at March 31, 1997, Canada has lent a total of 295,906,917 SDR to the Enhanced Structural Adjustment Facility. Of this amount, 15,925,925 SDR has been repaid. The outstanding balance of 279,980,992 SDR was translated into Canadian dollars at the year-end closing rate of exchange (1 SDR /\$1.92001 Cdn). During the year, transactions included a loan in cash, repayments and an exchange valuation adjustment.

Canada has also made budgetary contributions towards an interest subsidy amounting to 63,397,586 SDR, which do not appear in Table 9.13.

International organizations and associations

These items represent the historical value of payments made by the Canadian Government to working capital funds maintained by international organizations of which Canada is a member. Participation in the financing of these working capital funds, on the basis of the scale of assessments, is prescribed by financial regulations for membership in the organizations. Payments into the funds are not subject to interest or repayment schedules, but are recorded by the organizations as credits from member states. Payments by Canada were authorized by appropriation acts.

Global Environment Facility

This account records the funding of a facility for environmental funding in developing countries in the areas of ozone, climate change biodiversity and international waters as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. Advances to the Global Environment Facility (GEF) are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, no transactions were made.

As at March 31, 1997, advances to the GEF amounted to \$10,000,000 Cdn.

International Development Association

This account records Canada's contributions and subscriptions to the International Development Association (IDA), as authorized by the *Bretton Woods and Related Agreements Act*, and various appropriation acts. The contributions and subscriptions to the Association, which is part of the World Bank Group, are used to lend funds to the poorest developing countries for development purposes, on highly favourable terms (no interest, with a 35 to 40 year maturity and 10 years of grace). Contributions and subscriptions to IDA are made in non-negotiable, non-interest bearing demand notes that are later encashed.

During the year, transactions included participation through the issuance of notes payable.

As at March 31, 1997, Canada's total participation in IDA amounted to \$5,169,128,061 Cdn.

International financial institutions

This account records loans and advances for assistance to international financial institutions, as authorized by the *International Development (Financial Institutions) Assistance Act*, and various appropriation acts (including Foreign Affairs and International Trade Vote L25, *Appropriation Acts No. 1 and No. 2, 1996-97*).

In certain cases, loans and advances are made using notes payable that are later encashed. During the year, transactions included loans and advances made in cash and through note issuances, encashments of notes issued in previous years and revaluations for foreign currency fluctuations.

Provincial and Territorial Governments

This category records loans to provinces and territories made under relief acts and other legislation.

Table 9.14 presents a summary of the balances and transactions for the various types of loans and advances that have been made to provincial and territorial governments.

TABLE 9.14
PROVINCIAL AND TERRITORIAL GOVERNMENTS

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
NEWFOUNDLAND—				
Finance—				
Federal-provincial fiscal arrangements	43,543,908		20,593,569	22,950,339
Municipal Development and Loan Board	2,848,150		431,721	2,416,429
Winter capital projects fund	6,744,726		3,860,315	2,884,411
	53,136,784		24,885,605	28,251,179
Industry—				
Atlantic Development Board carry-over projects	489,016		75,185	413,831
Atlantic Provinces Power Development Act	50,534,841		3,831,174	46,703,667
Atlantic Canada Opportunities Agency— Special areas and highways agreement	3,906,575		3,906,575	
	54,930,432		7,812,934	47,117,498
Total Newfoundland	108,067,216		32,698,539	75,368,677
NOVA SCOTIA—				
Finance—				
Federal-provincial fiscal arrangements	109,600,026		72,879,626	36,720,400
Municipal Development and Loan Board	283,409		73,263	210,146
	109,883,435		72,952,889	36,930,546
Industry—				
Atlantic Development Board carry-over projects	1,824,205		313,061	1,511,144
Atlantic Canada Opportunities Agency— Special areas and highways agreement	1,969,307		806,858	1,162,449
	3,793,512		1,119,919	2,673,593
Total Nova Scotia	113,676,947		74,072,808	39,604,139
PRINCE EDWARD ISLAND—				
Finance—				
Federal-provincial fiscal arrangements	29,204,735		3,226,583	25,978,152
Municipal Development and Loan Board	364,471		37,043	327,428
Winter capital projects fund	311,483		105,832	205,651
	29,880,689		3,369,458	26,511,231
Industry—				
Atlantic Canada Opportunities Agency— Comprehensive development plan agreement	6,927,841		1,045,978	5,881,863
Total Prince Edward Island	36,808,530		4,415,436	32,393,094

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—Continued

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
NEW BRUNSWICK—				
Finance—				
Federal-provincial fiscal arrange- ments	(9,150,840)	9,150,840		
Municipal Development and Loan Board	1,744,802		124,483	1,620,319
Winter capital projects fund	8,288,912		8,288,912	
	882,874	9,150,840	8,413,395	1,620,319
Industry—				
Atlantic Provinces Power Development Act	19,755,870		2,413,536	17,342,334
Atlantic Canada Opportunities Agency— Special areas and highways agreement	10,436,937		3,166,146	7,270,791
	30,192,807		5,579,682	24,613,125
Natural Resources—				
Regional electrical interconnec- tions	3,963,358		131,293	3,832,065
Total New Brunswick	35,039,039	9,150,840	14,124,370	30,065,509
QUEBEC—				
Finance—				
Federal-provincial fiscal arran- gements	18,403,491	77,808,809		96,212,300
Municipal Development and Loan Board	21,430,668		2,932,334	18,498,334
	39,834,159	77,808,809	2,932,334	114,710,634
Industry—				
Federal Office of Regional Development—Quebec— Special areas and highways agreement	24,380,147		24,380,147	
Total Quebec	64,214,306	77,808,809	27,312,481	114,710,634
ONTARIO—				
Finance—				
Municipal Development and Loan Board	122,777		71,695	51,082
Winter capital projects fund	3,809,373		3,809,373	
Total Ontario	3,932,150		3,881,068	51,082
MANITOBA—				
Finance—				
Federal-provincial fiscal arran- gements	98,710,182		27,669,182	71,041,000
Municipal Development and Loan Board	352,462		156,449	196,013
Winter capital projects fund	571,825		274,530	297,295
	99,634,469		28,100,161	71,534,308
Industry—				
Western Economic Diversification— Special areas and highways agreement	172,760		89,636	83,124
Total Manitoba	99,807,229		28,189,797	71,617,432
SASKATCHEWAN—				
Agriculture and Agri-Food—				
Agricultural service centres	1,701,502		523,988	1,177,514
Finance—				
Federal-provincial fiscal arran- gements	242,573,464		83,304,076	159,269,388
Municipal Development and Loan Board	55,667		11,273	44,394
	242,629,131		83,315,349	159,313,782
Total Saskatchewan	244,330,633		83,839,337	160,491,296

TABLE 9.14

PROVINCIAL AND TERRITORIAL GOVERNMENTS—*Concluded*

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
ALBERTA—				
Finance—				
Federal-provincial fiscal arrangements		19,501,349		19,501,349
Municipal Development and Loan Board	815,064		57,921	757,143
Industry—				
Western Economic Diversification—				
Special areas and highways agreement	172,056		59,834	112,222
Total Alberta	987,120	19,501,349	117,755	20,370,714
BRITISH COLUMBIA—				
Finance—				
Federal-provincial fiscal arrangements		7,812,687		7,812,687
Municipal Development and Loan Board	836,460		113,700	722,760
Winter capital projects fund	796,227		799,456	(3,229)
Total British Columbia	1,632,687	7,812,687	913,156	8,532,218
NORTHWEST TERRITORIES—				
Finance—				
Winter capital projects fund	31,217		31,217	
Total Northwest Territories	31,217		31,217	
YUKON TERRITORY—				
Finance—				
Federal-provincial fiscal arrangements		92,939		92,939
Indian Affairs and Northern Development—				
Government of the Yukon Territory	924,933		342,110	582,823
Total Yukon Territory	924,933	92,939	342,110	675,762
Total	709,452,007	114,366,624	269,938,074	553,880,557

Federal-provincial fiscal arrangements

These amounts represent overpayments in respect of provincial equalization entitlements under the *Constitution Acts 1867 to 1982*, the *Federal-Provincial Fiscal Arrangements Act*, and other statutory authority. These overpayments are non-interest bearing and are recovered in subsequent years.

Municipal Development and Loan Board

Loans have been made, to provinces and municipalities, to augment or accelerate municipal capital works programs.

The loans bear interest at rates from 5.25 percent to 5.625 percent per annum, and are repayable in annual or semi-annual instalments over 15 to 50 years, with final instalments between April 1, 1997 and March 31, 2016.

Winter capital projects fund

Loans have been made, to provinces, provincial agencies and municipalities, to assist in the creation of employment.

The loans bear interest at rates from 7.4 percent to 9.5 percent per annum, and are repayable either in annual instalments over 5 to 20 years, or at maturity, with final repayments between April 1, 1997 and February 28, 1999.

Atlantic Development Board carry-over projects

Loans have been made to finance certain water projects that were carried over from the Atlantic Development Board.

The loans bear interest at rates from 7.5 percent to 8.5 percent per annum, and are repayable over 3 to 10 years at various anniversary amortization dates, with final instalments between July 31, 1999 and April 1, 2006.

Atlantic Provinces Power Development Act

Loans have been made to the Atlantic provinces, to assist in the generation of electrical energy by steam driven generators in the provinces, and in the control and transmission of electric energy.

The loans bear interest at rates from 4.5 percent to 8.5 percent per annum, and are repayable in equal annual instalments over the next 17 years, with final instalments due between March 31, 1998 and March 31, 2014.

Special areas and highways agreement—Atlantic Canada Opportunities Agency

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 6.3519 percent to 9.5757 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1997 and April 1, 2005.

Comprehensive development plan agreement

Loans have been made to the Province of Prince Edward Island, to assist in financing the realization of a comprehensive and co-ordinated development plan of the province, pursuant to an agreement with the province, whose territory has been designated a "special rural development area".

The loans bear interest at rates from 6.688 percent to 9.375 percent per annum, and are repayable in equal instalments due at various anniversary dates, with final instalments by March 31, 2005.

Regional electrical interconnections

Loans have been made to assist in financing regional electrical interconnections, under agreements between the Government of Canada and the Provinces of Manitoba, New Brunswick and Nova Scotia.

The remaining unpaid loans, to the Province of New Brunswick, bear interest at 9.35 percent per annum, and are repayable in annual instalments over 31 years, with final instalments on March 31, 2011.

Special areas and highways agreement—Federal Office of Regional Development—Quebec

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans were repaid in advance as of January 31, 1997 and the account was closed.

Special areas and highways agreement—Western Economic Diversification

Loans have been made to finance the development of community and industrial infrastructure projects for special areas, and for highway development.

The loans bear interest at rates from 7.1689 percent to 9.6736 percent per annum, and are repayable in equal annual instalments, with final instalments between April 1, 1997 and April 1, 1999.

Agricultural service centres

Loans have been made to provincial and municipal authorities, to assist in the construction or expansion of water supply and waste disposal facilities in key agriculture service centres, which are essential to rural adjustment and urban development in the agricultural portion of the Prairie region.

The loans bear interest at rates from 8.6179 percent to 13.4765 percent per annum, and are repayable in annual instalments using the declining balance method of calculation. The final instalment is due March 31, 2004.

Government of the Yukon Territory

Loans have been made to the Government of the Yukon Territory, for the following purposes:

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Second mortgage	16,641		3,055	13,586
Low cost housing	11,436		11,436	
Capital expenditures	322,857		69,247	253,610
Outside parties—				
Capital projects	573,999		258,372	315,627
	924,933		342,110	582,823

The loans bear interest at rates from 5.375 percent to 11.375 percent per annum, and are repayable in equal annual instalments over 20 to 35 years, with final instalments between October 7, 1997 and November 24, 2003.

Other Loans, Investments and Advances

This group records loans, investments and advances not classified elsewhere.

Table 9.15 presents a summary of the balances and transactions for the various types of other loans, investments and advances.

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Loans and accountable advances—				
Foreign Affairs and International Trade—				
Missions abroad	11,854,860	652,001,475	656,457,804	7,398,531
Personnel posted abroad	11,175,635	9,385,576	9,474,723	11,086,488
	23,030,495	661,387,051	665,932,527	18,485,019
National Defence—				
Imprest accounts, standing advances and authorized loans	30,091,742	699,330,755	705,012,675	24,409,822
Public Works and Government Services—				
Miscellaneous accountable advances	6,257,358	5,949,469	6,293,028	5,913,799
Miscellaneous accountable imprest and standing advances	14,192,714	5,887,698	1,746,256	18,334,156
	20,450,072	11,837,167	8,039,284	24,247,955
Total— Loans and accountable advances	73,572,309	1,372,554,973	1,378,984,486	67,142,796
Other—				
Agriculture and Agri-Food—				
Construction of multi-purpose exhibition buildings	12,703,640		4,717,308	7,986,332
Canadian Heritage—				
Cultural industries	24,245,570	9,430,000	7,000,000	26,675,570
Cultural property	24,245,570	9,430,000	7,000,000	26,675,570
Citizenship and Immigration—				
Transportation and assistance loans	50,744,301	16,352,447	11,854,837	55,241,911
Finance—				
Canadian Commercial Bank	65,380,074			65,380,074
Ottawa Civil Service Recreational Association	121,269		15,104	106,165
	65,501,343		15,104	65,486,239
Fisheries and Oceans—				
Canadian producers of frozen groundfish	128,315			128,315
Groundfish processors	17,025		17,025	
Haddock fishermen	1,348,337		2,000	1,346,337
	1,493,677		19,025	1,474,652
Foreign Affairs and International Trade—				
Development of export trade (loans administered by the Export Development Corporation)	274,086,553	31,927,640	23,509,716	282,504,477
Human Resources Development—				
Provincial workers' compensation boards	9,459,467	724,000		10,183,467
Indian Affairs and Northern Development—				
Council for Yukon Indians	15,736,318	775,410	183,300	16,328,428
First Nations in British Columbia	31,260,030	20,240,000		51,500,030
Indian economic development fund	4,030,077		2,176,760	1,853,317
Indian housing assistance fund	206,096		51,900	154,196
Inuit loan fund	125,617		23,275	102,342
Native claimants	282,411,040	22,763,000	3,162,617	302,011,423
Yukon Energy Corporation	44,814,274		13,400,000	31,414,274
	378,583,452	43,778,410	18,997,852	403,364,010

TABLE 9.15

OTHER LOANS, INVESTMENTS AND ADVANCES—*Concluded*

	April 1/1996	Payments and other charges	Receipts and other credits	March 31/1997
	\$	\$	\$	\$
Industry—				
Canadian defence industry	62,515		62,515	
Company stock option				
Manufacturing, processing and service industries in Canada	110,000,000			110,000,000
Atlantic Canada Opportunities Agency— Loans to assist industry in the Cape Breton area	3,442,816			3,442,816
Loans to enterprises in Newfoundland and Labrador	4,341,272		3,730,042	611,230
	7,784,088		3,730,042	4,054,046
	117,846,603		3,792,557	114,054,046
National Defence—				
Canadian Forces housing projects	7,829,080		936,687	6,892,393
Natural Resources—				
Hibernia Development Project	66,000,000	66,000,000		132,000,000
Public Works and Government Services—				
Confederation Bridge (previously PEI Fixed Link)	772,838,000	49,853,000		822,691,000
Seized Property Working Capital Account	694,136	26,863,652	24,999,832	2,557,956
	773,532,136	76,716,652	24,999,832	825,248,956
Solicitor General—Correctional Service—				
Parolees	17,957	12,004	12,609	17,352
Transport—				
Hamilton Harbour Commissioners	225,000		50,000	175,000
Saint John Harbour Bridge Authority	28,633,491			28,633,491
	28,858,491		50,000	28,808,491
Veterans Affairs—				
Commonwealth War Graves Commission	62,241	5,850 ⁽¹⁾		68,091
Veterans' Land Act Fund—				
Advances	11,539,825	692,365	5,124,414	7,107,776
Less: allowance for conditional benefits	2,800			2,800
	11,537,025	692,365	5,124,414	7,104,976
	11,599,266	698,215	5,124,414	7,173,067
Subtotal	1,822,501,536	245,639,368	101,029,941	1,967,110,963
Add: consolidation adjustment ⁽²⁾	258,171,000		57,854,000	200,317,000
Total—Other	2,080,672,536	245,639,368	158,883,941	2,167,427,963
Total	2,154,244,845	1,618,194,341	1,537,868,427	2,234,570,759

⁽¹⁾ This amount represents a revaluation adjustment.⁽²⁾ Additional information on consolidated Crown corporations is provided in Section 4 of this volume.

Missions abroad

Non-interest bearing advances have been made for interim financing of expenditures at missions abroad, pending distribution to appropriations of Foreign Affairs and International Trade and other departments and agencies.

The total amount authorized to be outstanding at any time is \$50,000,000.

Personnel posted abroad

A working capital advance account was established to finance loans and advances to employees posted abroad, including employees of other Government departments and agencies, as well as medical advances to locally-engaged staff.

The total amount authorized to be outstanding at any time is \$22,500,000.

The closing balance consists of loans to employees, \$8,306,991; advances for medical expenses, \$1,036,380; security and other deposits under Foreign Service Directives, \$718,566; and, school and club debentures, \$1,024,551.

The loans to employees bear interest at rates from 4 percent to 9 percent per annum, and are repayable over 1 to 4 years, with final instalments between April 1, 1997 and March 1, 2001.

During the year, loans totalling \$52,014 were written off by Foreign Affairs and International Trade Vote 11b, *Appropriation Act No. 4, 1996-97*.

Imprest accounts, standing advances and authorized loans

This account was established for the purpose of financing: (a) public funds imprest and public funds advance accounts; (b) standing advances; (c) authorized loans and advances to employees posted abroad; and, (d) authorized recoverable advances to establish military messes and canteens.

The total amount authorized to be outstanding at any time is \$100,000,000.

Miscellaneous accountable advances

The closing balance reflects amounts outstanding in the hands of departments, agencies and individuals, at year end, to be expended in the following year.

Miscellaneous accountable imprest and standing advances

This account is operated to provide imprest funds, accountable advances and recoverable advances to departments and agencies.

The total amount authorized to be outstanding at any time is \$22,000,000.

Construction of multi-purpose exhibition buildings

Loans have been made to finance the construction of multi-purpose exhibition buildings.

The loans bear interest at rates from 7.432 percent to 9.375 percent per annum, and are repayable over 20 to 30 years, with final instalments between December 1, 1997 and October 1, 2006.

Cultural industries

Payments have been made to the Cultural Industries Development Fund to establish a program of loans to cultural industries. These loans are made to Canadian owned and controlled firms in cultural industries to encourage the growth of the Canadian book publishing, film and video and sound recording industries.

During the year, additional loans were authorized by Canadian Heritage Vote L21b, *Appropriation Act No. 4, 1996-97*.

Amounts accumulated in the Fund only have to be repaid if the program is terminated. Interest on the loans issued by the Fund is at the prime rate and is fixed for the life of a particular loan.

Cultural property

Loans have been made to institutions and public authorities in Canada, for the purchase of objects in respect of which export permits have been refused under the *Cultural Property Export and Import Act*, or for the purchase of cultural property situated outside Canada which is related to the national heritage.

Although authority for additional loans was provided by Canadian Heritage Vote L20, *Appropriation Acts No. 1 and No. 2, 1996-97*, no loans were made during the year. The total loan authority is \$10,000 per year.

Transportation and assistance loans

Section 119 of the *Immigration Act* authorizes the making of loans to immigrants and other such classes of persons.

The total amount authorized to be outstanding at any time is \$110,000,000.

The terms and conditions of the loans, with their year-end balances, are as follows:

- a) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, bearing interest at rates from 5 percent to 15 percent per annum, with final instalments between April 1, 1997 and April 1, 2004, \$26,246,038; and,
- (b) repayable by monthly instalments over 1 to 5 years, with a possible deferment of 2 years, non-interest bearing, with final instalments between April 1, 1997 and April 1, 2004, \$28,995,873.

During the year, loans totalling \$1,660,437 were written off by Citizenship and Immigration Vote 2b, *Appropriation Act No. 4, 1996-97*.

Canadian Commercial Bank

Advances have been made to the Canadian Commercial Bank representing the Government's participation in the support group as authorized by the *Canadian Commercial Bank Financial Assistance Act*. These funds represent the Government's participation in the loan portfolio that was acquired from the Bank and the purchase of outstanding debentures from existing holders.

Ottawa Civil Service Recreational Association

Loans have been made to the Ottawa Civil Service Recreational Association, to assist in the building and development of the W Clifford Clark Memorial Centre.

The remaining loan bears interest at the rate of 4.25 percent per annum, and is repayable in equal semi-annual instalments over 45 years, with the final instalment due September 30, 2005.

Canadian producers of frozen groundfish

Loans have been made to Canadian producers of frozen groundfish, canned and frozen crabmeat, and canned and frozen lobster meat, to assist in the financing of inventories.

The loans bore interest at the rate of 13 percent per annum, and were repayable in equal annual instalments over 7 years, with the final instalment in December 1987.

Groundfish processors

Loans were made to assist processors of groundfish in Canada, who, as determined by the Fisheries Prices Support Board, were unable to obtain sufficient financing on reasonable terms from other sources, to maintain raw fish prices, i.e. prices to primary producers, at the 1966-67 level.

Loans, in the amount of \$3,000,000, were also made to ice-affected fish plants in Newfoundland, Labrador and North Shore, Quebec, to provide advances for working capital assistance to Canadian producers of groundfish products in Newfoundland and Quebec, who were affected by severe ice conditions in May and June 1974.

During the year, loans totalling \$17,025 were written off by Fisheries and Oceans Vote 3b, *Appropriation Act No. 4, 1996-97* and the account was closed.

Haddock fishermen

Loans have been made to Nova Scotia haddock fishermen whose fishery was closed from February 1 to May 31, 1975, pursuant to an agreement under the International Agreement for the Northwest Atlantic Fisheries. The total loan authority is \$1,650,000.

The loans bore interest at the rate of 8 percent per annum, and were repayable in equal annual instalments over 4 years, with the final instalment in 1979.

Development of export trade

Pursuant to section 23 of the *Export Development Act*, the Governor in Council may authorize the Corporation to make loans where the liability is for a term, or in an amount in excess of that normally assumed by the Corporation. Such loans are financed directly by payments out of the Consolidated Revenue Fund and are administered by the Corporation on behalf of the Government of Canada.

Prior to April 1, 1987, these loans were made under non-budgetary authority. Since April 1, 1987, interest-free or low interest bearing loans are made under budgetary authority because of their concessional nature. Any similar loans that were issued prior to April 1, 1987 are fully provided for in the allowance for valuation of assets.

During the year, loans totalling \$13,500,000 were forgiven pursuant to Foreign Affairs and International Trade Vote 31a, *Appropriation Act No. 3, 1996-97*.

The following table presents the balances and transactions for the loans made to the private sector, together with their terms and conditions of repayments. The subtotal of loans to the private sector includes, where applicable, total payments made under both budgetary and non-budgetary authorities. Total payments made under budgetary authority are deducted as a lump sum amount under the caption "budgetary treatment".

	Payments and other charges		Receipts and other credits		March 31/1997
	April 1/1996	Payments or other charges ⁽¹⁾	Revaluation	Receipts or other credits ⁽²⁾	Revaluation
	\$	\$	\$	\$	\$
NON-BUDGETARY LOANS					
(a) 1 to 5 year term, 5.93 percent (London Interbank Offered Rate (LIBOR)) to 8.5 percent interest per annum, with final repayments between February 1995 and February 2001:					
Brazil.....	4,507,632		69,770		4,577,402
Iran.....	32,713,564	5,574,679	587,191		38,875,434
South Africa.....	160,120,434		2,342,961	9,014,121	153,449,274
	197,341,630	5,574,679	2,999,922	9,014,121	196,902,110
(b) 6 to 10 year term, 5.93 percent (LIBOR) interest per annum, with final repayments June 2004:					
Kyrgyzstan.....	47,712,000	20,512,500	990,500		69,215,000
Total—Non-budgetary.....	245,053,630	26,087,179	3,990,422	9,014,121	266,117,110
BUDGETARY LOANS					
(a) 11 to 15 year term, 8.5 percent interest per annum, with final repayments between October 1983 and September 2001:					
Antigua.....	11,519,044		1,027,984		12,547,028
(b) 16 to 20 year term, 0 percent interest per annum, with final repayments in June 2012:					
Thailand.....	35,736,387		553,138		36,289,525
(c) 40 year term, 0 percent interest per annum, with final repayment in March 2036:					
Antigua.....	17,513,879		268,917	13,942,457	3,840,339
Subtotal—Budgetary.....	64,769,310		1,850,039	13,942,457	52,676,892
Less: budgetary treatment.....	35,736,387			553,138	36,289,525
Total—Budgetary.....	29,032,923		1,850,039	13,942,457	16,387,367
Total.....	274,086,553	26,087,179	5,840,461	22,956,578	282,504,477
SUMMARY					
Total—Non-budgetary.....	245,053,630	26,087,179	3,990,422	9,014,121	266,117,110
Total—Budgetary.....	64,769,310		1,850,039	13,942,457	52,676,892
Total.....	309,822,940	26,087,179	5,840,461	22,956,578	318,794,002
Less: budgetary treatment.....	35,736,387			553,138	36,289,525
Total.....	274,086,553	26,087,179	5,840,461	22,956,578	282,504,477

(1) Payments or other charges may include transactions such as loans, adjustments, etc.

(2) Receipts or other credits may include transactions such as repayments, forgiveness, etc.

Provincial workers' compensation boards

This account is operated under the authority of section 4(6) of the *Government Employees Compensation Act*, to provide operating funds to enable provincial compensation boards to administer the Act on behalf of the Crown, and pay claims to Canadian Government employees injured in the course of their employment.

The total amount of advances that is authorized to be made to all provincial workers' compensation boards is not to exceed three months' disbursements for compensation.

The advances are non-interest bearing and are to be repaid on termination of agreements with provincial boards.

Council for Yukon Indians

Loans have been made to the Council for Yukon Indians, to provide interim benefits to elderly Yukon Indians pending settlement of Yukon Indians land claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L25, *Appropriation Acts No. 1 and No. 2, 1996-97*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

All the loans outstanding at year end bear interest at rates from 7 percent to 11 percent per annum.

First Nations in British Columbia

Loans have been made to First Nations in British Columbia, to support their participation in the British Columbia Treaty Commission process related to the research, development and negotiation of treaty.

During the year, loans were authorized by Indian Affairs and Northern Development Votes L30 and L30a, *Appropriation Acts No. 1, No. 2 and No. 3, 1996-97*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a treaty is reached are non-interest bearing;

(b) loans made after the date on which an agreement-in-principle for the settlement of a treaty has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,

(c) loans are due and payable, as to principal and interest, on the date on which the treaty is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

All the loans outstanding at year end are non-interest bearing.

Indian economic development fund

Loans have been made for the purposes of economic development of Indians, to Indians or Indian bands, or to individuals, partnerships or corporations, the activities of which contribute or may contribute to such development.

The total amount authorized to be outstanding at any time was reduced from \$50,598,234 to \$48,550,835 by Indian Affairs and Northern Development Vote 7b, *Appropriation Act No. 4, 1996-97*.

The loans bear interest at rates from 5 percent to 21 percent per annum, and are repayable over 4 months to 15 years, with final instalments between April 1, 1997 and April 1, 2008.

During the year, loans totalling \$547,208, were written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 1996-97*. This vote also authorized the write-off of an amount of \$1,487,878 representing the difference between the gross book value and the fair market value of the principal balance of 60 direct loans that have been sold to Wi-Chi-Way-Win Capital Corporation, Manitoba.

Indian housing assistance fund

Second mortgage loans have been made to provide financial assistance to Indians and Inuit, for the construction and acquisition of houses and land, in areas other than Indian reserves. The purposes of the account were extended to authorize loans and advances to Indians and Inuit, for repairs or improvements to houses at time of purchase, in areas other than Indian reserves.

The total amount authorized to be outstanding at any time is \$20,000,000.

The loans are non-interest bearing, and are repayable in full by equal annual instalments or forgiveness, or, when the borrower sells the property. Whenever certain conditions of occupancy and maintenance are satisfied, instalments are forgiven at the rate of 10 percent per annum for up to 10 years. The Indian Housing Assistance Program has expired on March 31, 1996. As such, any outstanding balance will be written off in 1997-98 and future fiscal years unless recovery is possible.

During the year, \$9,600 was forgiven under the authority of Northern Affairs and National Resources Vote L51a, *Appropriation Act No. 9, 1966*.

Loans totalling \$42,300 were also written off by Indian Affairs and Northern Development Vote 6b, *Appropriation Act No. 4, 1996-97*.

Inuit loan fund

Loans have been made to individual Inuit or groups of Inuit, to promote commercial activities and gainful occupations. Loans have also been made to co-operative associations, credit unions, caisses populaires or other credit societies incorporated under provincial laws, where the majority of members are Inuit, or to corporations incorporated under the laws of Canada, or provincial laws, where the controlling interest is held by Inuit.

The total amount authorized to be outstanding at any time is \$6,633,697, as last amended by Indian Affairs and Northern Development Vote 37b, *Appropriation Act No. 4, 1995-96*.

The loans bear interest at rates from 5 percent to 19.5 percent per annum, and are repayable over 1 to 15 years, with final instalments between April 1, 1997 and February 2, 2004.

During the year, loans totalling \$17,942 were written off by Indian Affairs and Northern Development Vote 36b, *Appropriation Act No. 4, 1996-97*.

Native claimants

Loans have been made to native claimants, to defray the costs related to the research, development and negotiation of claims.

During the year, additional loans were authorized by Indian Affairs and Northern Development Vote L20, *Appropriation Acts No. 1 and No. 2, 1996-97*.

The terms and conditions of the loans are as follows:

- (a) loans made before an agreement-in-principle for the settlement of a claim is reached are non-interest bearing;
- (b) loans made after the date on which an agreement-in-principle for the settlement of a claim has been reached, bear interest at a rate equal to the rate established by the Minister of Finance in respect of borrowings for equivalent terms by Crown corporations; and,
- (c) loans are due and payable, as to principal and interest, on the date on which the claim is settled, or on a date fixed in the agreement, which shall be not later than March 31, 2006, whichever date is earlier.

The interest bearing and the non-interest bearing portions of the loans outstanding at year end are \$189,127,322 and \$112,884,100 respectively. Rates are from 7 percent to 11 percent per annum for the interest-bearing portion.

Yukon Energy Corporation

In accordance with section 4(2) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*, the Northern Canada Power Commission (formerly a Crown corporation) transferred its assets in the Yukon Territory to the Yukon Energy Corporation effective March 31, 1987.

Loans have been made to assist the Yukon Energy Corporation in acquiring the Northern Canada Power Commission Yukon Assets pursuant to section 7(1) of the *Northern Canada Power Commission Yukon Assets Disposal Authorization Act*.

The loans bear interest at the rate of 7 percent per annum and are repayable in equal principal annual instalments of \$1,000,000 plus interest with the final instalment on January 1, 2028. The instalment is subject to certain principal deferral and interest abatement provisions depending on the sales volume of electrical power. Clause 2 of the Flexible Term Note allows for reduced payments when sales on the Whitehorse-Arftihik-Fara (WAF) System are less than 310 GWH per year. Accordingly, the level of sales exceeded 310 GWH this fiscal year, as such clause 2 was not applied and no principal and interest was deferred for fiscal year 1996-97.

Canadian defence industry

Advances were made to assist Canadian defence industry with plant modernization.

During the year, the advances were repaid and the account was closed.

Company stock option

Pursuant to section 14 of the *Department of Industry Act*, this account establishes authority, in accordance with terms and conditions prescribed by regulations of the Governor in Council,

- (a) to take, purchase, exercise, assign or sell, on behalf of Her Majesty in Right of Canada, a stock option in a company in connection with the provision of a loan, insurance of a loan, or contribution made to the company by Her Majesty under a program authorized by the Governor in Council where, in the opinion of the Minister,
 - (i) it is necessary to take, purchase, exercise, assign or sell the stock option in order to permit Her Majesty in Right of Canada to benefit from the purchase; or
 - (ii) it is necessary to take, purchase, exercise, assign or sell, the stock option in order to protect the Crown's interest in respect of a loan made or insured, or contribution made; and
- (b) to authorize the sale or other disposition of any capital stock acquired.

During the year, additional purchases were authorized by Industry Vote L10, *Appropriation Acts No. 1 and No. 2, 1996-97*.

Manufacturing, processing and service industries in Canada

This account records loans made to persons engaged or about to engage or assist in manufacturing, processing or service industries in Canada in order to promote the establishment, improvement, growth, efficiency or international competitiveness of such industries or to assist them in their financial restructuring.

During the year, additional loans were authorized by Industry Vote L15, *Appropriation Acts No. 1 and No. 2, 1996-97*.

There is one remaining loan which is interest free unless it goes into default, and otherwise is repayable at maturity on April 1, 2017.

Loans to assist industry in the Cape Breton area

Loans have been made for the purpose of promoting the establishment, growth, efficiency and international competitiveness of Canadian industry or to assist them in their financial restructuring and to foster the expansion of Canadian trade to a person engaged or about to engage in a manufacturing, processing or service industry in the Cape Breton area.

Loans are not expected to be recovered. Parliamentary authority is required to write off the balance.

Loans to enterprises in Newfoundland and Labrador

Loans have been made to provide financing to small and medium-sized businesses in Newfoundland.

These loans originated from the Newfoundland and Labrador Development Corporation Limited, of which Canada owned 40 percent of the shares. In an agreement dated March 29, 1989, the Newfoundland government purchased Canada's shares to effect the withdrawal of the Government of Canada from the Corporation. A condition of the withdrawal was that the Government of Canada accept these loans as full payment of moneys owing by the Corporation to Canada. These loans are currently being administered by the Enterprise Newfoundland Labrador on behalf of the Government of Canada.

These loans bear interest at rates from 10 percent to 17 percent per annum, and are repayable at various dates, with final instalments by April 1, 1999.

During the year, loans totalling \$3,730,042 were written off pursuant to Atlantic Canada Opportunities Agency Vote 26b, *Appropriation Act No. 4, 1996-97*.

Canadian Forces housing projects

Advances have been made to the Canada Mortgage and Housing Corporation, in respect of loans arranged by the Corporation for housing projects for occupancy by members of the Canadian Forces.

The loans bear interest at rates from 4 percent to 5.75 percent per annum, and are repayable over 35 to 48 years, with final instalments between August 1, 1997 and November 1, 2010.

Hibernia Development Project

Loans have been made to facilitate the implementation of the Hibernia Development Project pursuant to section 14 of the *Department of Industry Act*.

Loan agreements were signed between Canada and each of the three companies involved in the 1993 purchase of Gulf Canada's Hibernia share. Loans of \$132 million were provided to owners to assist in offsetting the tax consequences of not being able to use the deductions generated by the Hibernia Development Project in the calculation of the companies' taxable income.

Loans in the amount of \$66 million were made on June 30, 1995 as authorized by Natural Resources Vote L15, *Appropriation Acts No. 1 and No. 2, 1995-96*. The remaining \$66 million was loaned on July 2, 1996.

Loans are interest-free and are repayable in 10 equal annual instalments commencing June 30, 1999, with the final instalment on June 30, 2008.

Confederation Bridge (previously PEI Fixed Link)

Under the *Northumberland Strait Crossing Act*, the Government is obligated to pay an annual subsidy of \$41.9 million (1992 dollars) to Strait Crossing Finance Inc., a wholly-owned corporation of the Province of New Brunswick, related to the construction of a bridge between the Provinces of New Brunswick and Prince Edward Island. Payments of the annual subsidy will begin on May 31, 1997 and continue for 35 years. The payments will be used to retire \$661 million of 4.5 percent real rate bonds issued in October 1993 by Strait Crossing Finance Inc. to finance the construction of the bridge.

As a result of these financial arrangements, the Government of Canada has recorded a liability of \$823 million offset by deferred subsidies which are recorded in this account and which will be amortized to expenditures over the 35-year period ending on April 30, 2032.

Seized Property Working Capital Account

This account was established by section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. This account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds of their disposal are received.

The total amount authorized to be outstanding at any time is \$50,000,000.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to this account.

Parolees

Loans have been made to parolees and individuals under mandatory supervision, to assist in their rehabilitation.

The total amount authorized to be outstanding at any time is \$50,000.

The loans are non-interest bearing and are repayable before the expiration of the parole period, or within one year from the date the loans were made, whichever period is the shorter. The repayment of a loan or any part thereof may be forgiven by the Solicitor General, if certain conditions are met.

During the year, loans totalling \$8,022 were forgiven pursuant to Solicitor General Vote L103b, *Appropriation Act No. 1, 1969*.

Hamilton Harbour Commissioners

Loans have been made to the Hamilton Harbour Commissioners, to assist in the development of the harbour.

The total amount authorized to be outstanding at any time is \$4,000,000.

The remaining loan bears interest at the rate of 4.125 per cent per annum, and is repayable in semi-annual instalments over 39 years, with the final instalment on March 20, 2004.

Saint John Harbour Bridge Authority

Advances have been made to the Saint John Harbour Bridge Authority in connection with the financing, construction and operation of a toll bridge across the harbour of Saint John, NB. The total amount of advances in each year is to be based on the difference for the year between the operating and financing costs of the toll bridge, and the revenue of the Bridge Authority, repayable when the revenue of the Bridge Authority for the year exceeds the amount of the operating and financing costs for such year.

On April 1, 1990, a new agreement was signed. This agreement called for the consolidation of all debts into one non-interest bearing loan. The Authority will remit excess funds from the operation of the bridge to the Government on an annual basis to repay the debt.

Commonwealth War Graves Commission

Advances have been made to the working capital fund of the Commonwealth War Graves Commission, to maintain graves and cemeteries.

At year end, the balance of the advances was £30,000 UK. This balance was converted to Canadian dollars, using the year-end rate of exchange.

The advances are non-interest bearing and have no fixed terms of repayments.

Veterans' Land Act Fund

Advances

Advances have been made, under Parts I and III of the *Veterans' Land Act*, for the acquisition of land, permanent improvements, removal of encumbrances, purchase of stock and equipment, and protection of security. The total amount authorized to be outstanding at any time is \$605,000,000.

Allowance for conditional benefits

A provision equal to 1/10 of the benefits to veterans was established each year up to and including 1978-79. Since that time, a forecast of requirements has been performed each year, and provisions are established as necessary. These provisions are charged to expenditures and credited to the allowance for conditional benefits account. This account represents the accumulated net provisions for benefits to veterans in the form of forgiveness of loans authorized by the *Veterans' Land Act*. These benefits come into effect only after certain conditions are fulfilled by the veterans. At the end of 10 years, the conditions having been met, the accumulated provision is charged to the allowance for conditional benefits account, and credited to the veteran's loan account.

Allowance for Valuation

In accordance with the comprehensive policy on valuation, assets are subject to an annual valuation to reflect reductions from the recorded value to the estimated realizable value.

The allowance for valuation, for loans, investments and advances, represents the estimated losses on the realization of the loans, investments and advances included in the accounts of Canada at year end.

SECTION 10

1996-97

PUBLIC ACCOUNTS OF CANADA

Other Information Related to the Financial Statements

CONTENTS

	<i>Page</i>
Contractual commitments	10.2
Insurance programs of agent enterprise Crown corporations ..	10.12
Contingent liabilities	10.14
International organizations	10.18

OTHER INFORMATION RELATED TO THE FINANCIAL STATEMENTS

This section contains detailed information related to the following:

- contractual commitments;
- insurance programs of agent enterprise Crown corporations;
- contingent liabilities; and,
- international organizations.

Contractual Commitments

A contractual commitment represents a legal obligation to outside organizations or individuals as a result of a contract. The nature of Government activities requires negotiation of contracts that are significant in relation to its current financial position or that will materially affect the level of future expenditures. In the case of contractual commitments to international organizations, some will result in future budgetary expenditures while others will result in non-budgetary payments.

Contractual commitments can be classified into five main categories: transfer payment agreements (grants and contributions), fixed assets and purchases, operating and capital leases, international organizations and benefit and pension plans.

Major capital assets of the Government are either purchased outright or leased. Where a lease transfers substantially all of the benefits and risks incidental to ownership of the property to the lessee, it is considered a capital lease. All other leases are classified as operating leases.

All outstanding contractual commitments of \$10 million or more per project at year end are reported in the case of fixed assets, purchases, operating leases and transfer payment agreements. All capital lease arrangements with total minimum lease

payments remaining at year end in excess of \$1 million per contract are reported. For international organizations, all contractual commitments in excess of \$1 million at year end are reported.

While no details are provided in this section, as indicated in Note 12 to the audited financial statements in Section 1 of this volume, estimated annual expenditures under the *Pension Act* for disability and death arising from military service will approximate \$1,200 million per year over the next few years.

The Government also provides pensions to certain members of the Canadian Forces under the *Defence Services Pension Continuation Act* and the Royal Canadian Mounted Police (RCMP) under the *Royal Canadian Mounted Police Pension Continuation Act*. The estimated total obligations of these plans amount to \$80 million and \$130 million respectively.

In accordance with the Government's significant accounting policies, the contractual commitments of consolidated Crown corporations are included with those of the Government.

Table 10.1 summarizes these contractual commitments. Details of the first four types of contractual commitments will be found in other tables in this section.

TABLE 10.1

CONTRACTUAL COMMITMENTS

(in millions of dollars)

	Transfer payments	Acquisition of property	Operating and capital leases	International organizations	Other	Total
Information from:						
Table 10.3.....	11,308	3,775	1,394			16,477
Table 10.4.....			2,804			2,804
Table 10.6.....				1,734		1,734
Pension plans for veterans					5,811	5,811
Liability under Continuation Acts					210	210
Total	11,308	3,775	4,198	1,734	6,021	27,036

Table 10.2 summarizes the information presented in Table 10.1 to indicate the minimum amounts required to satisfy obligations under contractual commitments each year from 1998 to 2002 inclusive, and a total for amounts due in the year 2003 and subsequently.

TABLE 10.2**SCHEDULE OF MINIMUM PAYMENTS**

(in millions of dollars)

Minimum payments to be made in:	Transfer payment agreements	Acquisition of fixed assets and purchases	Commitments under operating and capital lease arrangements	Commitments to international organizations	Benefit and pension plans	Total
1998	2,731	2,001	241	680	1,214	6,867
1999	2,281	1,090	253	464	1,208	5,296
2000	2,158	565	247	164	1,208	4,342
2001	2,047	59	216	118	1,208	3,648
2002	1,951	41	216	129	1,183	3,520
2003 and subsequently	140	19	3,025	179		3,363
Total	11,308	3,775	4,198	1,734	6,021	27,036

Transfer Payment Agreements, Fixed Assets, Purchases and Operating Leases

Table 10.3 provides details of contractual commitments that involve transfer payment agreements, fixed assets, purchases and operating leases. It discloses individual contractual commitments by category and by entity. Contractual commitments are summarized in Note 12 to the audited financial statements in Section 1 of this volume.

Transfer payment agreements are irrevocable contracts to provide funding to other levels of governments, organizations or individuals.

Fixed assets are tangible, durable items of value, including major additions or alterations thereto, including military equipment and land, from which benefits are expected to be derived during their useful life.

Purchase commitments are commitments supported by a contract to supply goods or services. An operating lease is a lease in which the lessor does not substantially transfer all the benefits and risks incident to ownership of property to the lessee.

TABLE 10.3**TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES**

AS AT MARCH 31, 1997

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2003 and subsequently
					1998	1999	2000	2001	2002	
Transfer payment agreements—										
Canada Mortgage and Housing Corporation (Government account)—										
Social Housing Program	20,023 ⁽¹⁾	20,023	11,331	8,692 ⁽²⁾	1,731	1,726	1,746	1,744	1,745	
Health—										
Indian and Northern Health Services	410	410	92	318	102	88	70	42	16	
Moose Factory Hospital	49	49	11	38	10	10	10	8		
Canadian International Development Agency—										
National Initiative Program	387	387	78	309	94	76	58	43	14	24
Partnership Program	155	155	36	119	85	27	7			
Country in Transition Program	23	23	2	21	5	5	4	3	4	
General Services Program	33	33	22	11	11					
Citizenship and Immigration—										
Canada-Quebec Accord	540	540	90	450	90	90	90	90	90	

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1997—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2003 and subse- quently
					1998	1999	2000	2001	2002	
Indian Affairs and Northern Development—										
Comprehensive land claim agreements										
Gwich'in	27	27	12	15	3	3	3	3	3	
Inuit of the Nunavut	142	142	61	81	18	12	12	12	12	15
Santuu	28	28	8	20	5	3	3	3	3	3
Council for Yukon final agree- ments—										
Implementation costs for:										
Champagne and Aishihik										
First Nations,										
Vuntut Gwitchin										
First Nation,										
First Nation of										
Nacho Nyak Dun, and										
Teslin Tlingit Council	106	106	29	77	22	8	8	8	8	23
Manitoba Hydro-Electric Board and the Minister of Northern Affairs, Province of Manitoba for the design and construction of transmission lines and related facilities to supply and distribute electrical power in communities	96	96	91	5 ⁽³⁾	2	3				
Cree Regional Authority—										
Operations and maintenance expenditures	203	203	34	169	34	34	34	34	33	
Ministre of Finance of Québec										
James Bay and Northern Québec Agreement and Northeastern Québec Agreement	190	190	175	15	15					
Keewatin Tribal Council	31	31	19	12	6	6				
Canada Infrastructure Works Agreement										
Indian and Inuit Affairs	29	29	29	⁽³⁾						
Northern Affairs	7	7	6	1 ⁽³⁾	1					
Atlantic Canada Opportunities Agency—										
Economic Development Programs										
Canada/Newfoundland Strategic Regional Diversification Agreement	60	60	53	7 ⁽³⁾	7					
Canada/Newfoundland Comprehensive Labrador Agreement	47	47	44	3 ⁽³⁾	3					
Canada/Newfoundland Human Resource Development Agreement	30	30	28	2 ⁽³⁾	2					
Canada/PEI Industrial Development Agreement	60	60	54	6 ⁽³⁾	6					
Canada/PEI Economic Development Agreement	22	22	10	12	2	5	4	1		

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1997—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2003 and subse- quently
					1998	1999	2000	2001	2002		
Canada/Nova Scotia Co-operation Agreement on Economic Diversification	144	144	54	90	13	14	24	20	19		
Canada/Nova Scotia Industrial Development Agreement	31	31	26	5 ⁽³⁾		2	2	1			
Canada/Nova Scotia Technology Development Agreement	25	25	16	9 ⁽³⁾	3	3	2	1			
Canada/New Brunswick Regional Economic Development Agreement	178	178	135	43	13	16	8	6			
TAGS-ER Agreement	74	74	11	63	24	14	16	9			
Other Regional Economic Development Programs	9	9	4	5 ⁽³⁾	5						
Canada Infrastructure Works Agreement/Atlantic	181	181	149	32	32						
Industry—											
Province of Ontario											
Canada Infrastructure Works Agreement	722	722	668	54	45	9					
CRJX development	87	87	5	82	28	28	18	7	1		
CAE Electronics visual technology	31	31	5	26	7	7	8	4			
DASH-8-400 design	35	35	29	6 ⁽³⁾	6						
PW150 Turboprop engine design and development	99	99	36	63	31	17	10	5			
Pratt & Whitney product oriented development	46	46	11	35	17	18					
Federal Office of Regional Development—Quebec—											
Canada Infrastructure Works Agreement—Quebec	527	518	453	65	65						
Small Business IDEA Program	25	25	10	15	5	5	5				
Transport											
Province of Quebec											
Road agreement	271	271	181	90	3	3	3	3	3	75	
Western Economic Diversification—											
Canada Infrastructure Program Works Agreement											
Province of Manitoba	68	68	52	16	16						
Province of Saskatchewan	58	56	50	6 ⁽³⁾	6						
Province of Alberta	173	170	146	24	23	1					
Province of British Columbia	225	225	166	59	49	10					
Western Diversification Program											
Province of British Columbia	60	60	20	40	15	25					
Subtotal	25,767	25,753	14,542	11,211	2,660	2,268	2,145	2,047	1,951	140	
Consolidated Crown corporations—											
Canadian Film Development Corporation—											
Financial Assistance to producers and distributors	58	58		58	58						

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1997—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31						2003 and subse- quently
					1998	1999	2000	2001	2002		
International Development											
Research Centre—											
Micronutrient Initiative	49	49	25	24	8	8	8				
Essential Health											
Program	18	18	3	15	5	5	5				
Subtotal	125	125	28	97	71	13	13				
Total transfer											
payment agreements	25,892	25,878	14,570	11,308	2,731	2,281	2,158	2,047	1,951	140	
Fixed assets and purchases—											
Fixed assets—											
Finance—											
Equity interest in											
Hibernia Project	425	425	366	59	40	19					
National Defence—											
Helicopters with integrated											
logistic support	1,193	907	697	210	168	17	25				
Light armoured reconnais-											
sance vehicle chassis	879	673	553	120	92	26	2				
Maritime coastal											
defence vessels	708	611	436	175	104	35	1		35		
Aircraft warfare											
training capability	203	62	31	31	13	9	9				
Arctic and maritime											
surveillance aircraft	1,076	451	437	14	11	3					
Canadian Patrol											
Frigate Program—											
Warships	9,007	6,725	6,684	41	34	7					
CAE Aviation, procure, install											
and update avionic											
systems in CC130											
Hercules aircraft	541	239	134	105	24	50	31				
Tactical commun-											
ications system	1,928	1,401	1,039	362	201	130	31				
Military Air											
Traffic											
System	162	73	20	53	13	14	8	4		14	
SHL Systemhouse Inc.—											
Canadian Forces											
Supply System											
upgrade	262	153	54	99	42	42	15				
Bombardier Inc.—CC150											
Polaris modification (NST)	422	76	34	42	41	1					
Light support vehicle											
wheeled (LSVW)	273	16	13	3 ⁽³⁾	3						
L2028 short range anti-											
armour weapon (Heavy)	184	97	81	16	16						
L2637 armour personnel											
carrier replacement	874	591	68	523	26	264	233				
Tribal class update and											
modification (TRUMP)	1,419	54	14	40	25	10	4	1			
Other fixed assets (DND)	1,430	568	324	244	155	64	24	1			
Public Works and											
Government Services—											
Perley Bridge Phase I											
construction, Ottawa	27	27	4	23	19	4					
Royal Canadian											
Mounted Police—											
Bird Construction Ltd—											
Construction of divisional											
headquarters building											
Edmonton, Alberta	34	34	16	18	16	2					

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1997—*Continued*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2003 and subse- quently
					1998	1999	2000	2001	2002	
Transport—										
Automated flight data processing and display systems	659	480	374	106 ⁽³⁾	106 ⁽⁴⁾					
Solicitor General—										
Correctional Service—										
Construction of new facilities	103	78	55	23	17	6				
Expansion and redevelopment of existing facilities	156	92	78	14	9	3	2			
<i>Subtotal</i>	<i>21,965</i>	<i>13,833</i>	<i>11,512</i>	<i>2,321</i>	<i>1,175</i>	<i>706</i>	<i>385</i>	<i>6</i>	<i>35</i>	<i>14</i>
Consolidated Crown corporation—										
Queens Quay West Land Corporation—										
Parks development	14	14		14	14					
Total fixed assets	21,979	13,847	11,512	2,335	1,189	706	385	6	35	14
Purchases —										
Industry—										
Canadian Space Agency—										
Radarsat I	28	19	13 ⁽³⁾	6	3	2	1			
MSS Development—										
Phase I	415	415	377	38	26	9	3			
National Defence—										
Ammunition	235	235	80	155	63	59	33			
Military pilot training	221	221	133	88	44	44				
Bombardier Inc.-CF188 System engineering support	216	216	52	164	164					
North American air defence										
Modernization—										
Land, buildings, radar sites and communications equipment	277	277	112	165	43	48	57	17		
Other purchases (DND)	979	979	475	504	319	118	37	19	6	5
Human Resources Development—										
EDS Canada Ltd design and build										
CSDN and install										
WAN/LAN	154	154	107	47	39	3	5			
Canada Student Financial Assistance Act (Risk premium)	397	139	30	109	31	35	31	12		
<i>Subtotal</i>	<i>2,922</i>	<i>2,655</i>	<i>1,379</i>	<i>1,276</i>	<i>732</i>	<i>318</i>	<i>167</i>	<i>48</i>	<i>6</i>	<i>5</i>
Consolidated Crown corporations—										
Canadian Broadcasting Corporation—										
Sports rights	87	87		87	51	30	6			
I.O.C.-Nagano Olympics	22	22		22	5	17				
Bell Canada-Ground distribution ..	38	38		38	20	15	3			

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1997—Continued

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2003 and subse- quently
					1998	1999	2000	2001	2002	
National Capital Commission— Lafleur de la Capitale, Inc.— Service contract.....	21	21	4	17	4	4	4	5		
<i>Subtotal</i>	<i>168</i>	<i>168</i>	<i>4</i>	<i>164</i>	<i>80</i>	<i>66</i>	<i>13</i>	<i>5</i>		
Total purchases	3,090	2,823	1,383	1,440	812	384	180	53	6	5
Total fixed assets and purchases	25,069	16,670	12,895	3,775	2,001	1,090	565	59	41	19
Operating leases— Environment— Lease of land Capilano Indian Reserve No. 5 Vancouver, B.C.	425	425	4	421	4	4	6	5	5	397
Foreign Affairs and International Trade— Mitsui Fudosan New York	55	55	1	54	3	3	2	2	3	41
AGI824-Compagnie Brussels.	16	16	1	15	2	2	2	2	1	6
Hong Kong Land Limited Hong Kong	53	53	15	38	6	6	6	6	5	9
Tower Plaza Associates New York ..	20	20	4	16	1	1	1	1	2	10
Ohbayashi America Corporation Los Angeles	13	13	1	12	1	1	1	1	1	7
Public Works and Government Services— Journal Building, Ottawa	177	177	66	111	14	14	14	14	14	41
Place de Ville "C", Ottawa	216	216	87	129	18	18	18	18	18	39
200 Kent St., Ottawa	104	104	25	79	12	12	12	12	12	19
Standard Life Building, Ottawa	24	24	6	18	3	3	3	3	3	3
Trebla Building, Ottawa	20	20	7	13	2	2	2	2	2	3
234 Laurier St., Ottawa	21	21	10	11	5	5	1			
344 Slater St., Ottawa	42	42	6	36	6	6	6	6	6	6
333 Laurier Ave., Ottawa	19	19		19	3	4	4	4	4	
Hamilton Center, Regina	21	21	10	11	2	2	2	2	3	
325 Broadway, Winnipeg	19	19	6	13	2	2	2	2	2	3
Twin Atria Bldg., Edmonton	11	11		11		1	1	1	1	7
59 Camelot Court, Ottawa	17	17	5	12	2	2	2	2	2	2
Veterans Affairs— IST Group Inc. mainframe lease and software support	14	14	3	11	3	4	4			
<i>Subtotal</i>	<i>1,287</i>	<i>1,287</i>	<i>257</i>	<i>1,030</i>	<i>89</i>	<i>92</i>	<i>89</i>	<i>83</i>	<i>84</i>	<i>593</i>
Consolidated Crown corporations— National Capital Commission— Chalmers Building 40 Elgin St., Ottawa	126	126	9	117	4	4	4	4	5	96
VIA Rail Canada Inc.— Office space	117	117	45	72	4	5	5	6	6	46
Canadian Broadcasting Corporation— Satellite lease	91	91		91	35	28	26	2		

TABLE 10.3

TRANSFER PAYMENT AGREEMENTS, FIXED ASSETS, PURCHASES AND OPERATING LEASES
AS AT MARCH 31, 1997—*Concluded*

(in millions of dollars)

	Total estimated cost	Amount contracted	Amount disbursed	Outstanding commitment	Outstanding commitments to be disbursed by March 31					2003 and subse- quently
					1998	1999	2000	2001	2002	
Canadian Film Development Corporation—										
Office leases	18	18	6	12	2	2	2	2	2	2
International Development Research Centre,—										
Office space lease	28	28	3	25	2	2	2	2	2	15
Office maintenance lease	26	26	3	23	2	2	2	2	2	13
Canada Council—										
Operating leases	14	14		14		3	3	2	2	4
National Gallery of Canada—										
Operating leases	10	10		10	1	1				8
<i>Subtotal</i>	<i>430</i>	<i>430</i>	<i>66</i>	<i>364</i>	<i>50</i>	<i>47</i>	<i>44</i>	<i>20</i>	<i>19</i>	<i>184</i>
Total operating leases	1,717	1,717	323	1,394	139	139	133	103	103	777
Grand total	52,678	44,265	27,788	16,477	4,871	3,510	2,856	2,209	2,095	936

(1) The total shown under "Total estimated cost" is a cumulative total of amounts charged to budgetary appropriations since 1992, when particulars of this commitment first were reported in the *Public Accounts of Canada*, plus the outstanding commitment reported at fiscal year end.

(2) The total outstanding amount of this commitment which extends up to 40 years, cannot be determined with any degree of accuracy and hence estimates have been provided covering only the next five fiscal periods. The sum of these amounts (\$8,692 million), should therefore not be interpreted as the total outstanding commitment at March 31, 1997.

(3) Particulars of this commitment, shown for continuity purposes, will not be reported in future years since it has either been retired in full or the outstanding obligation is now less than \$10 million.

(4) Amount expensed to March 31, 1997 includes \$12,140,000 paid to NAVCANADA, which represents the remaining budget as at November 1, 1996. Also the amount of \$106 million outstanding commitment at March 31 was transferred to NAVCANADA.

Capital Leases

Table 10.4 provides details of commitments under capital lease arrangements which form part of the summary in Note 12 to the audited financial statements in Section 1 of this volume. A capital lease is a lease that, from the point of view of the Government, transfers substantially all the benefits and risks

incident to ownership of the asset to the Government. Table 10.5 presents commitments under capital lease arrangements in order of maturity. There were no purchase options exercised during the year.

TABLE 10.4

COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS

(in thousands of dollars)

Department and agency identification of capital lease	Inception date	Lease term in years	Fair value of leased property at inception	Total estimated minimum lease payments, full term (excluding executory costs)	Final purchase option price included in total estimated minimum lease payment	Implicit interest rate (%)	Balances at March 31, 1997			
							Total estimated remaining mini- mum lease payments	Less: imputed interest, using the implicit interest rate	Less: executory costs	Net commit- ments under capital lease arrange- ments
Indian Affairs and Northern Development—										
Office equipment	Dec 23, 1996 ⁽¹⁾	3	2,640	2,968	81	6.0 ⁽⁵⁾	2,727	288		2,439
Office equipment	Aug 15, 1994	3	2,390	6,396	43	6.77 ⁽⁵⁾	763	16		747
			5,030	9,364	124		3,490	304		3,186
Public Works and Government Services—										
Guy Favreau Building, Montréal . . .	Jan 1, 1994 ⁽¹⁾	25	87,600	227,529	30,000	7.6 ⁽⁵⁾	217,302	125,907		91,395
240 Sparks St, Ottawa	Sep 1, 1977 ⁽²⁾	35	63,703	213,500		9.1 ⁽⁵⁾	99,943	49,124		50,819
L'Esplanade Laurier, Ottawa	Oct 1, 1995 ⁽¹⁾	15	60,374	104,368	18,000	9.4 ⁽⁵⁾	101,365	32,902		68,463
Place du Centre, Hull	Feb 17, 1978 ⁽²⁾	30	26,201	96,204	6,000	11.2 ⁽⁵⁾	44,474	22,530		21,944
Terrasses de la Chaudière, Hull	Jan 1, 1993 ⁽¹⁾	20	146,084	364,485	54,000	8.6 ⁽⁵⁾	328,678	176,364		152,314
Government of Canada Building, (GOCB), Cornwall	Dec 1, 1994 ⁽¹⁾	25	9,600	24,771		9.2 ⁽⁵⁾	23,400	13,968		9,432
Scarborough (GOCB)	Dec 1, 1994 ⁽¹⁾	25	38,900	111,605	10,000	9.4 ⁽⁵⁾	105,957	66,421		39,536
Chatham (GOCB)	June 1, 1995 ⁽¹⁾	25	4,940	11,744		8.6 ⁽⁵⁾	11,353	6,473		4,880
Place Vincent Massey, Hull	Aug 1, 1996 ⁽¹⁾	15	23,439	50,860	15,725	5.6 ⁽⁵⁾	50,815	20,426		30,389
Canada Place, Edmonton	Dec 1, 1993 ⁽¹⁾	30	105,000	276,523		7.9 ⁽⁵⁾	254,570	152,146		102,424
Louis Saint-Laurent, Hull	Aug 1, 1996 ⁽¹⁾	20	73,000	150,158	15,000	6.8 ⁽⁵⁾	149,910	73,204		76,706
Block 56, Vancouver	Apr 30, 1995 ⁽²⁾	25	54,100	166,673		11.6 ⁽⁵⁾	159,318	105,782		53,536
OACI, Montreal	Dec 1, 1996 ⁽⁴⁾	20	100,000	223,123	23,450	9.3 ⁽⁵⁾	245,938	142,404		103,534
			792,941	2,021,543	172,175		1,793,023	987,651		805,372
Canada Mortgage and Housing Corporation (Government Account)—										
National Office Building, Ottawa . .	⁽³⁾									
			792,941	2,021,543	172,175		1,793,023	987,651		805,372
Consolidated Crown corporation— Canadian Broadcasting Corporation— Canadian Broadcasting Centre, 250 Front St. W., Toronto ⁽¹⁾										
	Oct 14, 1988	50	485,111	1,257,734		7.53 ⁽⁵⁾	1,007,683	602,745		404,938
Total			1,283,082	3,288,641	172,299		2,804,196	1,590,700		1,213,496

⁽¹⁾ Renewal date.

⁽²⁾ Revised by the department based on new documentation.

⁽³⁾ Revised information shows that this lease pertains to the corporate interest of the company and not to the Ministry.

⁽⁴⁾ New addition

⁽⁵⁾ Lessors'/Lessees' financing rate lease agreement is subject to change over term of lease.

TABLE 10.5

COMMITMENTS UNDER CAPITAL LEASE ARRANGEMENTS IN ORDER OF MATURITY

(in thousands of dollars)

Department and agency	Payments due in											Total
	1998	1999	2000	2001	2002	2003 to 2007	2008 to 2012	2013 to 2017	2018 to 2022	2023 to 2027	2028 to 2032	
Indian Affairs and Northern Development —												
Remaining payments	1,725	962	803									3,490
Imputed interest	162	108	34									304
Net commitments	1,563	854	769									3,186
Public Works and Government Services—												
Remaining payments	67,755	79,957	79,957	79,957	79,957	399,786	430,617	389,377	161,515	24,145		1,793,023
Imputed interest	57,721	65,367	64,220	62,979	61,636	283,735	224,211	128,118	36,883	2,781		987,651
Net commitments	10,034	14,590	15,737	16,978	18,321	116,051	206,406	261,259	124,632	21,364		805,372
Canada Mortgage and Housing Corporation (Government Account)— ⁽¹⁾												
Remaining payments												
Imputed interest												
Net commitments												
Consolidated Crown corporation—												
Canadian Broadcasting Corporation—												
Remaining payments	33,039	33,039	33,039	33,039	33,039	99,117	165,195	165,195	165,195	165,195	82,591	1,007,683
Imputed interest	29,512	29,118	28,815	28,492	28,142	82,058	126,842	109,692	84,875	48,961	6,238	602,745
Net commitments	3,527	3,921	4,224	4,547	4,897	17,059	38,353	55,503	80,320	116,234	76,353	404,938
Summary—												
Remaining payments	102,519	113,958	113,799	112,996	112,996	498,903	595,812	554,572	326,710	189,340	82,591	2,804,196
Imputed interest	87,395	94,593	93,069	91,471	89,778	365,793	351,053	237,810	121,758	51,742	6,238	1,590,700
Net commitments	15,124	19,365	20,730	21,525	23,218	133,110	244,759	316,762	204,952	137,598	76,353	1,213,496

⁽¹⁾ Revised information shows that this lease pertains to the corporate interest of the company and not to the Ministry.

International Organizations

Table 10.6 summarizes commitments made to international organizations which are also summarized in Note 12 to the audited financial statements in Section 1 of this volume. These commitments relate to agreements with international organizations and other sovereign nations, which stipulate that the Government will disburse funds in future years for loans, ad-

vances and paid-in share capital. Some of these disbursements will be in the form of budgetary payments, while others will be non-budgetary. Additional information on these commitments is provided in Table 10.9 and in Note 12 to the audited financial statements in Section 1 of this volume.

TABLE 10.6

INTERNATIONAL ORGANIZATIONS COMMITMENT SUMMARY

(in millions of dollars)

	Undisbursed loans and advances	Future paid-in share capital	Total
Non-budgetary share capital and loans	695	171	866
Budgetary loans and advances	868		868
Total	1,563	171	1,734

Insurance Programs of Agent Enterprise Crown Corporations

Three Crown corporations currently operate insurance programs as agents of Her Majesty. An insurance program is a program where the insured, an outside party, pays an insurance fee which is credited to an insurance fund or provision operated by the corporation. The amount of the fee is based on the estimated amount of insurance fund or provision needed to meet future claims. Insurance programs operated by private corporations such as employee group insurance, dental plans, etc., are not included in this definition.

The insurance programs are intended to operate on a self-sustaining basis but in recent years, the Deposit Insurance Fund administered by the Canada Deposit Insurance Corporation has required funding from the Government to meet obligations.

Information presented in Table 10.7 has not been audited since the information presented therein is derived from interim financial statements. The most recent annual financial statements of these corporations may be found in the *"President of the Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests of Canada"*. Insurance programs of agent Crown corporations are summarized in Note 13 to the audited financial statements in Section 1 of this volume.

In Table 10.7, a minus "-" sign preceding the amount reported indicates a fund deficit, an expense recovery or adjustment, or a decrease or loss during the year.

TABLE 10.7

SUMMARY OF INSURANCE PROGRAMS OF AGENT ENTERPRISE CROWN CORPORATIONS
FOR THE YEAR ENDED MARCH 31, 1997

(in millions of dollars)

	Canada Deposit Insurance Corporation ⁽¹⁾		Canada Mortgage and Housing Corporation ⁽²⁾						Export Development Corporation ⁽³⁾	
	1996-97	1995-96	Mortgage Insurance Fund		Mortgage-Backed Securities Guarantee Fund		Rental Guarantee Fund		1996-97	1995-96
Insurance in force as at reporting date	317,053	327,757	135,100	118,600	14,826	16,601	*	*	9,329	7,821
Opening balance of Fund	-1,301	-1,747	29	-72	25	18	13	13	184	156
Revenues for the period—										
Premiums and fees	546	538	391	383	8	9			95	80
Investment income	15	11	152	155	3	3				
Other revenues		3	2	11	1			1		
Total revenues	561	552	545	549	12	12	(4)	1	95	80
Expenses for the period—										
Loss on/provision for claims	334	-34	440	317				1	62	52
Interest on loans	85	122								
Administrative and tax	17	18	115	131	6	5				
Funds returned to Government							13			
Total expenses	436	106	555	448	6	5	13	1	62	52
Net income/loss (-) for the period—	125	446	-10	101	6	7	-13		33	28
Closing balance of Fund ⁽⁵⁾ ..	-1,176	-1,301	19	29	31	25	nil	13	217	184
Net claims during the period ⁽⁶⁾	-139	-644	348	311	*	*	*	*	50	33
Five year average of net claims paid	88	88	324	274	*	*	*	*	25	15

* Not applicable.

(1) The Canada Deposit Insurance Corporation (CDIC) provides insurance on deposits placed with member banks and trust and loan companies for up to \$60,000 per depositor, per institution. In recent years, premiums paid by member institutions have not been sufficient to meet obligations incurred by CDIC under the insurance plan. This deficiency has been funded, in part, by loans from the Government of \$855 million at March 31, 1997 (\$1,627 million at March 31, 1996). The Government is continuing to explore alternatives to allow CDIC, over the long run, to eliminate its deficiency without budgetary support from the Government. Since there is no reason to believe that this will not be the case, no provision has been made in the accounts of Canada for the losses experienced by CDIC.

(2) Canada Mortgage and Housing Corporation (CMHC) administers three funds of which the Mortgage Insurance Fund (MIF) and the Mortgage-Backed Securities Guarantee Fund are active. The MIF provides insurance for a fee, to private sector lending institutions to cover mortgage lending on Canadian housing. Besides establishing a framework of confidence for mortgage lending by private institutions, the Fund facilitates an adequate supply of mortgage funds by reducing the risk to lenders and by encouraging the secondary market trading of mortgages, to make housing more accessible for Canadians. An actuarial study of the MIF as of September 30, 1996 disclosed that the Fund had a surplus of \$2.0 million. The Mortgage-Backed Securities (MBS) program was implemented in 1987. For a fee paid by approved financial institutions, CMHC and ultimately the Government guarantee timely payment of principal and interest to MBS investors who participate in a pool of MIF insured first residential mortgages which have been repackaged by the financial institution into investments of \$5,000 denominations. Since 1984, the Corporation has also operated the Mortgage Rate Protection Program (MRPP). As premiums collected by CMHC for the Program are remitted directly to the Consolidated Revenue Fund (CRF) and obligations of the MRPP are ultimately payable from the CRF, the Mortgage Rate Protection Program does not meet the definition of a Crown corporation insurance plan as defined above. Therefore, operating particulars of this Program are not included in this summary but some information will be found in the notes to the Government of Canada Statement of Contingent Liabilities.

(3) The Export Development Corporation provides export and foreign investment insurance to Canadian businesses to facilitate and develop export trade. The insurance fund has been adequate to provide for the full cost of claims experienced to date and to establish an allowance for future claims based on previous claims experience.

(4) Less than \$500,000.

(5) Operation of the Rental Guarantee Fund was terminated and the surplus transferred to the Government on July 12, 1996

(6) Refers to the difference between claims and amounts received from sales of related assets and other recoveries.

Contingent Liabilities

A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

For the purpose of reporting contingent liabilities, the Government of Canada is defined as all organizations which are accountable for the administration of their affairs and resources either to a Minister of the Government or directly to Parliament, and which are owned or controlled by the Government. Except for Government enterprises, all Government organizations are accounted for in the financial statements by consolidation. Government enterprises are accounted for by the cost method and are defined to be those corporate organizations that sell goods and services to individuals and non-government organizations as their principal activity, and are not appropriation-dependent.

Consequently, the contingent liabilities of consolidated Crown corporations are included with those of the Government in Table 10.8 but in summary form only. For further details of contingent liabilities of consolidated Crown corporations, refer to Table 4.4—"Contingent Liabilities of Consolidated Crown Corporations". Particulars of contingent liabilities of enterprise Crown corporations are not consolidated with those of the Government but details of these contingencies may be found in Table 9.9—"Contingent Liabilities of Enterprise Crown Corporations". However, the borrowings of agent enterprise Crown corporations are reported with the contingent liabilities of the Government in compliance with the *Financial Administration Act*. In accordance with section 54 of the Act, the repayment of all money borrowed by agent enterprise Crown corporations is payable out of the Consolidated Revenue Fund. Such borrowings therefore, constitute potential obligations of the Government and are reported as such in Table 10.8. Three agent enterprise Crown corporations also operate insurance programs. Information regarding these insurance programs can be found in Table 10.7 of this section.

The contingent liabilities of the Government include borrowings by agent Crown corporations (net of allowance for losses), from non-government sources and explicit guarantees by the Government for borrowings by non-agent Crown corporations

from the private sector. In other cases, the Government has agreed to guarantee loans made by agent enterprise Crown corporations to Indians for on-reserve housing. As well, the Government has also guaranteed collectively or specifically the loans of certain individuals and companies that they obtained from financial institutions in the private sector. These explicit guarantees cover guarantee programs of the Government, explicit guarantees by the Government for loans, financial arrangements and other potential liabilities, insurance programs of the Government and other explicit guarantees. They also comprise potential losses arising from pending and threatened litigation relating to claims and assessments in respect of breach of contract, damages to persons and property, and like items. Pending and threatened litigation is reported in total as are the contingent liabilities of consolidated Crown corporations in the following table. Also included, are contingent liabilities related to present and future callable share capital for international organizations.

Contingent liabilities other than loan guarantees and borrowings of agent enterprise Crown corporations, are recorded in the accounts when they become actual liabilities. Losses on loan guarantees are accrued in the accounts through a valuation allowance calculation when it is likely that a payment will be made in the future to honour a guarantee and where the amount of the anticipated loss can be reasonably estimated. The amount of the allowance is determined by taking into consideration the nature of the loan guarantee, loss experience and the use of other measurement techniques. Borrowings of agent enterprise Crown corporations are recorded as liabilities through a valuation allowance for the portion not expected to be repaid directly by these corporations.

Also included in Table 10.8 are contingent liabilities related to present and future callable share capital for international organizations. These contingent liabilities may result in non-budgetary future payments.

The following table is also summarized in Note 14 to the financial statements of the Government in Section 1 of this volume.

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1997

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability ⁽²⁾	Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾
	\$	\$	%
GUARANTEES BY THE GOVERNMENT OF			
Borrowings by enterprise Crown corporations which are agents of Her Majesty		28,115,270,000 ⁽⁴⁾	14.2
Borrowings by other than enterprise Crown corporations			
From agents			
Loans to Indians by the Canada Mortgage and Housing Corporation and the Farm Credit Corporation, for on-reserve housing	1,200,000,000	77,090,791 ⁽⁵⁾	
From other than agents			
Guarantee programs of the Government			
Canada Student Loans Act	10,854,764,150 ⁽⁶⁾	3,500,303,260	12.3
Small Business Loans Act	2,493,957,851 ⁽⁶⁾	1,382,517,972	35.2
Farm Improvement Loans Act and Farm Improvement and Marketing Cooperatives Loans Act		820,158,000	1.0
Advance Payments for Crops Act	400,000,000	168,505,604	2.4
Atlantic Enterprise Program	21,550,135	21,550,135 ⁽⁷⁾	23.2
Enterprise development program and Canadian Industrial Renewal Board	1,178,449,865	5,919,521 ⁽⁸⁾	
Fisheries Improvement Loans Act	352,872 ⁽⁶⁾	352,045	
Regional Development Incentives Act	20,304,075	108,539	
Loans to Indians by approved lenders for on-reserve housing	⁽⁹⁾	920,945,786 ⁽⁵⁾	Less than 1%
Financial obligations incurred by air carriers regarding purchase of The de Havilland Aircraft of Canada, Limited DHC7 and DHC8 aircraft	971,100,000 ⁽¹⁰⁾	438,096,693 ⁽¹⁰⁾	
Aboriginal Economic Program	3,095,000	2,630,750	
Indian economic development	33,022,107 ⁽¹¹⁾	2,361,409 ⁽⁵⁾	
Time Air (1982) Ltd	10,000,000	1,515,702	
	15,986,596,055	7,264,965,416	
Other explicit loan guarantees ⁽¹²⁾			
Loans with respect to the <i>Hibernia Development Project Act</i>	1,660,000,000	1,494,662,650 ⁽¹⁰⁾	
Loans to NewGrade Energy Inc to finance construction of a heavy oil upgrader	275,000,000	150,391,365 ⁽¹³⁾	
Loan by First Union Commercial Corporation to Air Canada for purchase of aircraft	62,298,000	56,206,640	
Loans to Government of Romania	27,000,000	24,000,000	4.2
Loan to PWA Corporation for operating purposes	50,000,000	11,999,515	
	2,074,298,000	1,737,260,170	
Insurance programs of the Government ⁽¹⁴⁾			
Accounts administered for the Government by the Export Development Corporation—Insurance and related guarantees	13,000,000,000 ⁽¹⁵⁾	950,994,833	
Insurance against accidents at nuclear installations under the <i>Nuclear Liability Act</i> ⁽¹⁶⁾	600,000,000	589,455,679	
	13,600,000,000	1,540,450,512	

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1997—Continued

	Authorized limit (where applicable) ⁽¹⁾	Contingent liability ⁽²⁾	Percentage of expected losses to outstanding guarantees (where applicable) ⁽³⁾
	\$	\$	%
Other explicit guarantees			
Guarantees under the <i>Prairie Grain Advance Payments Act</i>	1,500,000,000	504,593,615 ⁽¹⁷⁾	3.6
Guarantees under Section 19 of the <i>Canadian Wheat Board Act</i>			
Guarantees to holders of mortgages insured by the Mortgage Insurance Company of Canada and GE Capital Mortgage Insurance Co. (Canada)		49,172,125	
Guarantees under the <i>Agricultural Products Cooperative Marketing Act</i>		25,625,377	74.1
	1,500,000,000	579,391,117	
Total gross guarantees	34,360,894,055	39,314,428,006	
Less: allowance for losses		5,253,000,000 ⁽¹⁸⁾	
Net exposure under guarantees		34,061,428,006	
INTERNATIONAL ORGANIZATIONS		16,232,566,364 ⁽¹⁰⁾⁽¹⁹⁾	
CLAIMS AND PENDING AND THREATENED LITIGATION		12,742,595,649 ⁽¹⁰⁾⁽²⁰⁾	
COMPREHENSIVE NATIVE LAND CLAIMS		581,161,699 ⁽²¹⁾	
Subtotal ⁽²²⁾		63,617,751,718	
CONTINGENT LIABILITIES OF CONSOLIDATED CROWN CORPORATIONS		34,102,000 ⁽²³⁾	
TOTAL		63,651,853,718	

(1) The authorized limits indicated in the above statement represent the aggregate total of various types of authorities of Government bodies as stipulated in legislation, legal agreements or other documents that may be in force at any one time.

(2) A contingent liability is a potential liability which may become an actual liability when one or more future events occur or fail to occur.

(3) The percentage of expected losses is calculated, where applicable, by dividing the amount of allowances for loan guarantees by the amount of the corresponding outstanding guarantees computed as at March 31, 1997.

(4) Borrowings by agent enterprise Crown corporations in accordance with section 54 of the *Financial Administration Act*, are considered potential obligations of the Government and are therefore included in this statement. Outstanding borrowings for these Crown corporations as at March 31, 1997 are summarized as follows:

(in thousands of dollars)

Business Development Bank of Canada	3,370,970
Canada Lands Company Limited	37,057
Canada Mortgage and Housing Corporation	7,865,662
Canada Post Corporation	176,602
Canadian Wheat Board, The	6,473,651
Export Development Corporation	7,820,423
Farm Credit Corporation	1,925,603
Freshwater Fish Marketing Corporation	13,204
Petro-Canada Limited	432,090
Seaway International Bridge Corporation, Ltd, The	8
Total	28,115,270

(5) Includes committed guarantees for the following loans to be made: to Indians for on-reserve housing, \$106,744,364 and for Indian economic development, nil. At March 31, 1997, no loans have been reported issued for these amounts by lenders. However, since past history indicates that over 95% of these loans will be or have been advanced to clients, these amounts are included as contingencies.

(6) The Act places limits on the maximum amount of guarantee for loans made by eligible lenders over different loan periods. The maximum amount of guarantee by lender is expressed in legislation as a percentage of aggregate loans made to qualified borrowers and varies according to the dollar value range of aggregate loans made by the lender. The authorized limits for given loan periods are included in the figure reported until all qualified loans made by all eligible lenders in the given periods are no longer outstanding, and are not adjusted for loan repayments nor payments made by the Government for guaranteed amounts in which default has occurred.

(7) The Atlantic Enterprise Program offers loan insurance on new term loans for the establishment, expansion or modernization of commercial operations in eligible sectors in the Atlantic provinces where the Program is administered by the Atlantic Canada Opportunities Agency (\$19,157,467 as at March 31, 1997) and in the Gaspé Peninsula and Magdalen Islands of Quebec where administration of the Program is the responsibility of the Federal Office of Regional Development - Quebec (\$2,306,862 as at March 31, 1997). The Department of Industry has responsibility for all capital projects in excess of \$20 million in the Atlantic provinces (\$85,806 as at March 31, 1997).

(8) There are no loan guarantees attributable to the Canadian Industrial Renewal Board.

(9) The authorized limit for loan guarantees for on-reserve housing totals \$1.2 billion (as shown above) for loans made by the Canada Mortgage and Housing Corporation, the Farm Credit Corporation and other approved lenders.

(10) Amount denominated wholly or partially in a foreign currency and translated at the closing rate of exchange as at date of the statement.

(11) The maximum aggregate amount that may be paid or that may have been paid from the Consolidated Revenue Fund (CRF) relative to Indian economic development in previous, current or subsequent years, with respect to all guarantees authorized and granted, is set at \$60 million. As at March 31, 1997, \$26,977,893 has been expended from the CRF leaving a balance of \$33,022,107 available for disbursement.

TABLE 10.8
STATEMENT OF CONTINGENT LIABILITIES
AS AT MARCH 31, 1997—Concluded

- (12) Ridley Terminals Inc. (RTI) became a wholly-owned subsidiary of Canada Ports Corporation, an enterprise agent Crown corporation, on July 30, 1991. Canada Ports Corporation has arranged long-term financing (\$165,000,000 as at March 31, 1997) with an agent Crown corporation to facilitate the acquisition of RTI, payment of which has been guaranteed by the Government. The lending Crown corporation has in turn borrowed from a private sector bank and an appropriate provision has been made in the accounts of Canada in accordance with Note 4 above and Note 18 which follows. Consequently, a contingent liability does not exist in this situation.
- (13) Should the borrower default on this obligation, the Government of Canada would be liable for payment but would be, in turn, indemnified by the Province of Saskatchewan.
- (14) Since 1984, the Canada Mortgage and Housing Corporation (CMHC) has operated the Mortgage Rate Protection Program on behalf of the Government. In return for payment of a premium, CMHC will reimburse homeowners 75 percent of any increase in monthly mortgage payments, above a deductible, due to higher interest rates at the time of mortgage renewal. As recent mortgage interest rates have been relatively stable, the Program is not widely utilized and loans covered by the Program at March 31, 1997 amounted to only \$911,000 (\$911,000 at March 31, 1996). Premiums collected by CMHC are remitted directly to the Consolidated Revenue Fund (CRF) and obligations are ultimately payable from the CRF. Because of the nature of the Program, it is not possible to estimate the amounts, if any, that might be payable at some future date.
- (15) The *Export Development Act* specifies that Export Development Corporation may enter into contracts of insurance, re-insurance, related guarantees and other agreements up to a maximum of \$13 billion, the authorized limit.
- (16) There have been no claims under the *Nuclear Liability Act* since its inception in 1970. The Act covers contingent liability relating to eight Canadian nuclear installations as at March 31, 1997.
- (17) The Government has guaranteed payment of present and future liabilities, indebtedness, or other obligations of the Canadian Wheat Board (CWB) arising from default by sovereign purchasers of grain on credit under the Credit Grain Sales Program. At March 31, 1997, approximately \$6.3 billion was recorded as a receivable on the books of the Board for such sales. CWB borrowings from outside parties amounting to \$6.5 billion as at the same date, are considered to be a potential liability of the Government under section 54 of the *Financial Administration Act* and are recorded elsewhere on this statement (see Note 4 above). Since loans and relative accrued interest payable of approximately \$71 million, exceed the amount of receivables by approximately \$253 million there is no residual contingency (receivables less borrowings) to the Government as at March 31, 1997.
- (18) Included in the allowance for probable losses is \$3,980 million (\$4,190 million in 1996) for borrowings of agent enterprise Crown corporations.
- (19) The Government has contingent liabilities for callable share capital and future callable share capital related to shares in certain international organizations. Because these contingent liabilities relate to non-budgetary share capital and loans, there would be no impact on budgetary expenditures if these potential liabilities become actual liabilities, since cash would simply be exchanged for another asset.
- (20) Classified as follows:

	(in millions of dollars)
a. alleged breach of written, verbal or statutory contracts including construction disputes	533
b. damage to property including loss of income	751
c. physical and mental injury including accidents and false imprisonment	311
d. expropriation and land claims	8,229
e. miscellaneous	2,919
Sub total	12,743
Less duplicated claims	-
Total	12,743

Included in (d.) above is \$7.6 billion, a major portion of which consist of aboriginal statutory and treaty obligations representing plaintiffs' claims in 145 litigation cases. There are another 284 similar cases for which amounts are not stated in the claims, and for which it is not possible to determine the amounts that may be ultimately payable. In addition, the Government has 410 cases, not yet in litigation, totalling approximately \$618 million of which are also included in (d.). Of this latter amount, 101 cases amounting to about \$427 million represent plaintiffs' claims at the negotiation stage. The amount involved for the remaining 309 claims cannot be determined at this time and no amount for such claims is shown.

Included in (e) above is \$1,349 million with respect to tax refunds that are significant and were under appeal to the Federal Court of Canada or the Supreme Court of Canada at March 31, 1997.

- (21) The Government has 70 comprehensive aboriginal land claims either under negotiation, accepted for negotiation or under review. Of the 70 comprehensive claims, 8 claims relating to the Council for Yukon Indians and 5 pertaining to the Dene-Metis are in the final stages of negotiation. Should negotiations be ratified, the Government would be liable to pay financial compensation over a number of years as follows:

	(in millions of dollars)
Council for Yukon Indians	131
Portion of the Dene/Metis claim	197
	328
Implementation costs	253
Total	581

The remaining 57 comprehensive claims have not yet been quantified.

- (22) Contingent gains. A contingent gain is a potential gain or possible recovery that may become an actuality when one or more future events occur or fail to occur. Five departments reported contingent gains as at March 31, 1997 totalling approximately \$80 million.
- (23) In accordance with the Government's significant accounting policies, the contingent liabilities of Crown corporations that rely on Government funding as their principal source of revenue, are consolidated with those of the Government.

International Organizations

Table 10.9 summarizes the contingent liabilities and commitments for international organizations according to whether they would result in the disbursement of funds for non-budgetary share capital and loans, or for budgetary loans and advances. Non-budgetary share capital and loans are considered to be assets of the Government, whereas budgetary loans and advances are considered to be transfer payments to the organizations or countries involved.

Within contingent liabilities, callable share capital represents the portion of Canada's capital subscriptions that has not yet been paid-in. Callable capital is subject to call by offshore banks in the event that they were unable to meet their obligations. Future callable share capital consists of callable share capital related to subscriptions that Canada has made a commitment to purchase in future.

Commitments reported in this table include loans and advances to international organizations and developing countries, which Canada has agreed to disburse in the future. Future paid-in share capital represents commitments made by Canada for future purchases of non-budgetary share capital in international organizations. The amounts reported in Table 10.9 as undisbursed loans and advances and as future paid-in share capital exclude notes that have been issued and that are still unpaid as at March 31, 1997.

Table 10.9 provides additional information on contingent liabilities for international organizations that are summarized in Table 10.8 and contractual commitments for international organizations that are summarized in Table 10.6. Information contained in this table is also summarized in Notes 12 and 14 to the financial statements which are included in Section 1 of this volume.

TABLE 10.9
INTERNATIONAL ORGANIZATIONS
CONTINGENT LIABILITIES AND COMMITMENTS
(in millions of dollars)

	Contingent liabilities ⁽¹⁾			Commitments ⁽¹⁾		
	Callable share capital	Future callable share capital	Lines of credit	Undisbursed loans and advances	Future paid-in share capital	Total
NON-BUDGETARY SHARE CAPITAL AND LOANS—						
African Development Bank	655		655			
Asian Development Bank	1,811	909	2,720		19 ⁽²⁾	19
Caribbean Development Bank	68		68			
Inter-American Development Bank	4,419	933	5,352		17 ⁽²⁾	17
International Bank for Reconstruction and Development (World Bank)	7,017		7,017			
Multilateral Investment Guarantee Agency	36		36			
European Bank for Reconstruction and Development	385		385		135	135
International Finance Corporation						
International Monetary Fund			(3)	392		392
Developing countries—Canada Account				303		303
Subtotal	14,391	1,842	16,233	695	171	866
BUDGETARY LOANS AND ADVANCES—						
African Development Bank				127 ⁽²⁾		127
Caribbean Development Bank - Special				12 ⁽²⁾		12
International Development Association				390		390
Global Environment Facility Trust Fund				37 ⁽²⁾		37
Inter-American Development Fund				10 ⁽²⁾		10
International Monetary Fund				243		243
Developing countries—Canada Account				49		49
Subtotal				868		868
Total	14,391	1,842	16,233	1,563	171	1,734

(1) Foreign currencies were translated into Canadian dollars using the closing rates of exchange at March 31, 1997 (1\$US = \$1.3844 Cdn; 1SDR = \$1.92001 Cdn).

(2) These amounts represent, in certain cases, notes payable to be issued in future years.

(3) Particulars regarding lines of credit made available to the International Monetary Fund (IMF), disclosed in previous issues of this volume, are no longer shown since it has been decided that no contingency exists as Canada can opt out of calls made under this arrangement. In any event, drawdowns would involve the exchange of one asset for another, an exchange of SDRs or currencies from official reserves in return for a reserve claim on the IMF.

Note: Canada has agreed to lend the Enhanced Structural Adjustment Facility special drawing rights (SDR) 500 million of which SDR 295.9 million has been lent, and to subsidize the interest rate on the loan through a grant of approximately SDR 190 million (the maximum limit set by the Governor in Council pursuant to the *Bretton Woods and Related Agreements Act* is SDR 225 million), of which SDR 63.4 million has been paid-in.

SECTION 11

1996-97

PUBLIC ACCOUNTS OF CANADA

Index

INDEX

NOTE—NUMBERS IN **BOLD FACE** PERTAIN TO SECTIONS IN THIS VOLUME**A**

- Accounting for expenditures, 3.8
- Accounting for revenues, 3.2
- Accounting policies, summary of significant, 1.10
- Accounts payable, 5.4
 - and accrued liabilities, 1.8, 5.2, 5.4
- Accounts receivable, 1.8, 7.2, 7.6
- ACCOUNTS RECEIVABLE, *see Volume II (Part II), Section 4*
- Accounts receivable of consolidated Crown corporations, 7.6
- Accumulated deficit, 1.8, 1.14, 3.2, 3.15
 - Statement of, 2.4
- Administered trust accounts, 6.29, 6.32
- Advance account—Canadian Film Development Corporation, 6.33, 6.40
- African Development Bank, 9.30, 9.31, 9.32
- Aging of accounts receivable for non-tax revenues and revenues netted against expenditures, 7.7
- Agricultural Commodities Stabilization Accounts, 4.10, 4.13
- Agricultural service centres, 9.36, 9.38
- Alexander Graham Bell National Historic Site, 4.11, 4.15
- Allowance for borrowings of Crown corporations, 5.11
- Allowance for employee benefits, 1.8, 5.2, 5.10
- Allowance for loan guarantees, 5.11
- Allowance for loan guarantees and borrowings of Crown corporations, 1.8, 5.2, 5.11
- Allowance for pension adjustments, 6.2, 6.19, 6.25
- Allowance for valuation, 1.8, 9.2, 9.47
- Annuities agents' pension account, 6.33, 6.38
- Armed services—Estates, 6.29, 6.32
- Army benevolent fund, 6.36, 6.45
- Asian Development Bank, 9.30, 9.31, 9.33
- Assets, 1.8
- Assets and liabilities, statement of, 1.8, 2.5
- Atlantic Development Board carry-over projects, 9.35, 9.37
- Atlantic Provinces Power Development Act, 9.35, 9.36, 9.38
- Atomic Energy of Canada Limited regional seismic monitoring station, 6.36, 6.44
- Authorities available from previous years, *see Volume II (Part I), Section 1*
- Authorities for the spending of proceeds from the disposal of surplus Crown assets, *see Volume II (Part I), Section 1*
- Authorities granted by statutes other than Appropriation Acts, *see Volume II (Part I), Section 1*
- Authorities granted in current year Appropriation Acts, *see Volume II (Part I), Section 1*
- Aviation gasoline and diesel fuel—Excise tax, 3.3

B

- Bank of Canada, 9.5, 9.8
- Benefit trust fund, 6.29, 6.32
- Bonds for Canada Pension Plan, 1.8, 6.2, 6.11
- Borrowings by agent enterprise Crown corporations, 9.18
- Borrowings by consolidated agent Crown corporations, 4.8
- Borrowings by enterprise Crown corporations, 9.19
- Borrowings expected to be repaid by these enterprise Crown corporations, 5.11
- Borrowings of agent enterprise Crown corporations, 5.11
- Borrowings of consolidated Crown corporations, 5.4, 5.9

B—Concluded

- Budgetary transactions,
 - expenditures, 1.6, 2.2
 - revenues, 1.6, 2.2
- Business Development Bank of Canada, 9.5, 9.6

C

- Canada bills, 6.2, 6.12
- Canada Deposit Insurance Corporation, 9.5, 9.6
- Canada Development Investment Corporation, 9.5, 9.8
 - Canada Hibernia Holding Corporation, 9.5, 9.9
 - Canadair holdback, 6.28, 6.30
- Canada Foundation account, 6.34, 6.41
- Canada/Manitoba partnership agreement on municipal water infrastructure for rural economic diversification, 6.33, 6.38
- Canada Mortgage and Housing Corporation, 9.5, 9.6
- Canada notes, 6.2, 6.13
- Canada Pension Plan, 1.8, 1.17, 6.2, 6.26
- Canada Pension Plan Account, 6.2, 6.26, 6.27
- Canada Pension Plan Account and the Canada Pension Plan Investment Fund, 6.46
- Canada Ports Corporation, 9.5, 9.9
- Canada Post Corporation, 9.5, 9.9
- Canada/Provinces Business Service Centre, 6.35, 6.43
- Canada Savings Bonds, 1.8, 6.2, 6.10
- Canadair holdback, 6.28, 6.30
- Canadian Centre for Occupational Health and Safety—
 - Donations, 4.11, 4.16
- Canadian Commercial Bank, 9.39, 9.42
- Canadian Commercial Bank and Northland Bank Holdback Account, 4.11, 4.15
- Canadian currency deposits, 7.3
- Canadian Dairy Commission, 9.5, 9.9
 - account, 6.28, 6.30
- Canadian defence industry, 9.40, 9.45
- Canadian Film Development Corporation—Advance account, 6.33, 6.40
- Canadian Forces housing projects, 9.40, 9.46
- Canadian Forces Superannuation Account, 6.19, 6.20, 6.21
- Canadian producers of frozen groundfish, 9.39, 9.42
- Canadian Sports Pool Corporation—Other outstanding liabilities, 6.34, 6.41
- Canarc Shipping Company Limited, 9.22, 9.23
- Candidates' and committees' deposits—Election and referendum, 6.29, 6.31
- Cape Breton Development Corporation, 9.5, 9.10
- Capital leases, 10.10
- Caribbean Development Bank, 9.30, 9.31, 9.33
- Cash in bank, 1.8, 7.2, 7.3
 - at beginning of year, 1.6, 2.2
 - at end of year, 1.6, 2.2, 2.7
- Cash in hands of collectors and in transit, 7.4
- Cash in transit, 1.8, 7.2, 7.4
- China, 9.24
- Civil service insurance fund, 6.33, 6.37
- Claudia de Hueck Bequest Account, 4.11, 4.15
- Collaborative research projects, 6.34, 6.41
- Commitments under capital lease arrangements, 10. 10
 - in order of maturity, 10.11

C—Concluded

Commodity Industry Development Fund—Province, 6.33, 6.38
 Common school funds—Ontario and Quebec, 6.34, 6.40
 Commonwealth War Graves Commission, 9.40, 9.47
 Company stock option, 9.40, 9.45
 Comprehensive development plan agreement, 9.35, 9.38
 Confederation Bridge, 6.2, 6.27, 9.40, 9.46
 CONSOLIDATED ACCOUNTS, 4
 Consolidated Crown corporations, 4.3
 other cash, 7.4
 Consolidated specified purpose accounts, 4.10
 Construction of multi-purpose exhibition buildings, 9.39, 9.41
 CONSTRUCTION OR ACQUISITION OF LAND, BUILDINGS
 AND WORKS, *see Volume II (Part II), Section 6*
 CONSTRUCTION OR ACQUISITION OF MACHINERY
 AND EQUIPMENT, *see Volume II (Part II), Section 7*
 Continental geoscience division—Ontario Hydro, 6.36, 6.44
 Contingent liabilities, 1.20, 10.14
 of consolidated Crown corporations, 4.8
 of enterprise Crown corporations, 9.20
 Contractors' security deposits, 6.29, 6.31
 Contractual commitments, 1.19, 10.2
 Schedule of minimum payments, 10.3
 Corporation income tax, 1.7, 3.3, 3.5
 Council for Yukon Indians, 9.39, 9.44
 Crop Reinsurance Fund, 4.10, 4.13
 Crops Sector Companion Program, 4.11, 4.15, 6.33, 6.38
 Crown corporation expenditures, 1.7, 3.2, 3.12
 Crown corporations' surplus moneys, 6.28, 6.30
 St Lawrence Seaway Authority, The, 6.28
 Cultural industries, 9.39, 9.41
 Cultural property, 9.39, 9.41
 CURRENT ASSETS, 7
 Current assets, 1.8, 7.2
 CURRENT LIABILITIES, 5
 Current liabilities (and allowances), 1.8, 5.2
 Customs import duties, 1.7, 2.3, 3.3, 3.6

D

Dawson City Nursing Station—Father Judge Memorial,
 4.11, 4.16
 Debt Servicing and Reduction Account, Statement of
 transactions, 1.23
 Deferred revenues, 5.4, 5.9
 Deficit for the year, 1.7, 2.2, 3.2
 Dependants' pension fund, 6.33, 6.38, 6.55
 Deposit accounts, 6.28
 Deposit and trust accounts, 6.2, 6.28
 Detailed statement of
 expenditure transactions, 2.4
 foreign exchange, unmatured debt and cash transactions, 2.7
 non-budgetary transactions, 2.6
 revenue and expenditure transactions, 2.8
 revenue transactions, 2.3
 Details of other program expenditures of other ministries, *see*
 Volume II (Part I), Section 1
 Details of other transfer payments, *see Volume II (Part I), Section 1*
 Details of responsible amounts, *see related ministerial section in*
 Volume II (Part I)
 Developing countries—International development assistance,
 9.24, 9.27
 Development of export trade, 9.24, 9.25, 9.39, 9.42
 Domestic coinage, 3.3

D—Concluded

Donations—Canadian Centre for Occupation Health and Safety,
 4.11, 4.16
 Donations for research—Medical Research Council, 4.11, 4.16
 Dyskinesia and torticollis research, 6.34, 6.41

E

Egypt-Canada Memorandum of Cooperation, 6.36, 6.45
 Election and referendum—Candidates' and committees'
 deposits, 6.29, 6.31
 Employment Insurance Account, 4.10, 4.13, 4.18
 Employment insurance premiums, 1.7, 2.3, 3.3, 3.5
 Employment insurance warrants, 7.5
 Endangered Species—Donations, 4.11, 4.16
 Energy taxes, 1.7, 2.3, 3.3, 3.6
 Enterprise Crown corporations, 1.8, 9.2, 9.4
 Environmental liabilities, 1.21
 Environmental Studies Research Fund,
 Indian Affairs and Northern Development, 4.11, 4.16
 Natural Resources, 4.11, 4.17
 Estates—Armed services, 6.29, 6.32
 Estates fund, 6.29, 6.32
 European Bank for Reconstruction and Development, 9.30, 9.32
 Exchange Fund Account, 8.5
 Excise duties, 3.3
 Excise tax
 aviation gasoline and diesel fuel, 3.3
 gasoline, 3.3
 Excise taxes and duties, 1.7, 2.3, 3.3, 3.5
 miscellaneous, 3.3
 other, 1.7, 2.3, 3.3, 3.6
 Expenditures, 1.7, 1.13, 3.2, 3.8
 by source, 3.10
 by standard object, 3.13
 by type, total net, 3.9
 under statutory authorities, 3.13, 3.14
 Export Development Corporation, 9.5, 9.7
 External expenditures by type, 3.8
 External revenues by main classification, 3.3

F

Fair wages suspense account, 6.34, 6.41
 Fairs and missions, 6.28, 6.30
 Farm Credit Corporation, 9.5, 9.8
 Federal Court special account, 6.35, 6.44
 Federal/provincial agreement—Advance account, 6.35, 6.43
 Federal/provincial cost-sharing agreements, 6.34, 6.40
 Federal-provincial fiscal arrangements, 9.35, 9.36, 9.37
 FEDERAL-PROVINCIAL SHARED-COST PROGRAMS,
 see Volume II (Part II), Section 11
 Federal/provincial shared-cost project, 6.34, 6.41
 Federal/provincial shared-cost project—Interprovincial
 Computerized Examination Management System (ICEMS),
 6.34, 6.42
 Field British Columbia and Yukon Operations of the Northern
 Canada Power Commission, 6.28, 6.30
 50^e anniversary of the Canadian Citizenship Act Celebration,
 4.11, 4.16
 Financial assistance to Canadians abroad, 6.34, 6.41
 Financial assistance under budgetary appropriations to
 consolidated Crown corporations, 4.9
 enterprise Crown corporations, 9.21

F—Concluded

- Financial position of consolidated Crown corporations—Assets and liabilities, 4.4
- Financial position of enterprise Crown corporations—Assets and liabilities, 9.14
- FINANCIAL STATEMENTS OF DEPARTMENTAL CORPORATIONS AND OTHER ENTITIES, *see* *Volume II (Part II), Section 2*
- FINANCIAL STATEMENTS OF REVOLVING FUNDS, *see* *Volume II (Part II), Section 1*
- FINANCIAL STATEMENTS OF THE GOVERNMENT OF CANADA AND OPINIONS OF THE AUDITOR GENERAL, 1
- Fines—Indian Act, 6.34, 6.42
- Fines for the Transportation of Dangerous Goods, 4.12, 4.17
- First Nations in British Columbia, 9.39, 9.44
- Fish Habitat Restoration Account, 4.11, 4.16
- Fishing Vessel Insurance Plan, 4.10, 4.14
- Fixed assets, purchases and operating leases, Transfer payment agreements, 10.3
- Flight Recorder Software Systems Account, 4.11, 4.17
- Foreign claims fund, 6.34, 6.40
- Foreign currency deposits, 7.3
- FOREIGN EXCHANGE ACCOUNTS, 8
- Foreign exchange accounts, 1.8, 1.18, 8.2
- Foreign exchange transactions, 2.7
 - net requirement for, 1.6
 - net source from, 2.2
- Foreign governments, 6.35, 6.44
- Francophone Summits, 6.36, 6.45
- Freshwater Fish Marketing Corporation, 9.5, 9.10
- Friends of Rideau Hall Account, 4.11, 4.16
- Funds from non-governmental organizations, 6.34, 6.41

G

- Gasoline—Excise tax, 3.3
- General security deposits, 6.28, 6.30
- Global Environment Facility, 9.31, 9.34
- Gold reserves, 1.18
- Goods and services tax, 1.7, 2.3, 3.3, 3.6
- Government Annuities Account, 6.2, 6.27, 6.54
- Government of the Yukon Territory, 9.37, 9.38
- Government spending, 3.10
- Groundfish processors, 9.39, 9.42
- Guarantee deposits
 - Agriculture and Agri-food, 6.28, 6.30
 - Indian Affairs and Northern Development, 6.28, 6.30
 - oil and gas, 6.28, 6.30
 - reserve resources, 6.28, 6.30
 - National Revenue, 6.28, 6.31
 - Natural Resources—Oil and gas, 6.29, 6.31
- Guarantees by the Government, 1.19, 10.15

H

- Haddock fishermen, 9.39, 9.42
- Halifax 1917 explosion pension account, 6.29, 6.31
- Hamilton Harbour Commissioners, 9.40, 9.47
- Health Insurance Supplementary Account, 4.10, 4.14
- Hibernia Development Project, 9.40, 9.46
- H.L. Holmes Fund, 4.11, 4.17

I

- Immigration guarantee fund, 6.28, 6.30
- Imprest account cheques, 7.5
- Imprest accounts, standing advances and authorized loans, 9.39, 9.41
- Income from securities in trust—Bankruptcy and Insolvency Act, 6.35, 6.43
- Income tax,
 - corporation, 1.7, 2.3, 3.3, 3.5
 - personal, 1.7, 2.3, 3.3, 3.5
 - revenues, other, 1.7, 2.3, 3.3, 3.5
- Indian
 - agencies revenue trust bank accounts, 6.34, 6.42
 - band funds, 6.31
 - capital accounts, 6.29, 6.31
 - revenue accounts, 6.29, 6.32
 - shares and certificates, 6.35, 6.42
 - compensation funds, 6.35, 6.42
 - economic development fund, 9.39, 9.44
 - estate accounts, 6.29, 6.32
 - housing assistance fund, 9.39, 9.44
 - monies suspense account, 6.35, 6.42
 - savings accounts, 6.29, 6.32
 - special accounts, 6.35, 6.42
- Inmates' trust fund, 6.29, 6.32
- Insurance accounts, 4.10, 4.14
- Insurance and death benefit accounts, 6.33
- Insurance companies—Interest on bonds, 6.36, 6.45
- Insurance programs, 1.20
- Insurance programs of agent enterprise Crown corporations, 10.12
- Inter-American Development Bank, 9.30, 9.33
- Fund for Special Operations, 9.31
- Interest
 - accrued, 5.10
 - due, 5.10
 - on bonds—Insurance companies, 6.36, 6.45
 - rates, unmatured debt, 6.15
- Interest and matured debt, 1.8, 5.2, 5.10
- INTEREST-BEARING DEBT, 6
- Interest-bearing debt, 1.8, 6.2
- International Bank for Reconstruction and Development (World Bank), 9.30, 9.32
- International development assistance, 9.24, 9.27
- loans and subscriptions, 1.18
- International Development Association, 9.31, 9.34
- International Energy Agency—Implementing agreement, 6.36, 6.44
- International Finance Corporation, 9.30, 9.32
- International financial institutions, 9.31, 9.34
- International Monetary Fund
 - Enhanced Structural Adjustment Facility, 9.30, 9.33
 - notes payable, 8.2, 8.4
 - subscriptions, 8.2, 8.4
- International organizations, 1.8, 9.2, 9.29, 9.30, 10.11, 10.18
- commitment summary, 10.11
- contingent liabilities and commitments, 10.18
- International organizations and associations, 9.30, 9.34
- International reserves held in the Exchange Fund Account, 8.2, 8.3
- Interport Loan Fund, 9.5, 9.9
- Inuit loan fund, 9.39, 9.45
- Investors' Indemnity Account, 4.10, 4.14

J

Jamaica, 9.24
 Joint and mixed enterprises, 1.8, 9.2, 9.22
 Joint research and development projects, 6.36, 6.45
 Judges Act, 6.20

L

Labour standards suspense account, 6.34, 6.42
 Liabilities, 1.8, 1.15
 LOANS, INVESTMENTS AND ADVANCES, 9
 Loans, investments and advances, 1.8, 1.18, 2.6, 9.2
 Loans and accountable advances, 9.39
 Loans to assist industry in the Cape Breton area, 9.40, 9.46
 Loans to enterprises in Newfoundland and Labrador, 9.40, 9.46
 Locally-engaged contributory pension account, 6.33, 6.38
 Long-term accounts receivable for non-tax revenues and revenues
 netted against expenditures, 7.7
 Lower Churchill Development Corporation Limited, 9.22, 9.23

M

Mackenzie King trust account, 6.33, 6.39
 Manufacturing, processing and service industries in Canada,
 9.40, 9.46
 Marconi Celebration Trust Fund, 4.11, 4.15
 Market development incentive payments—Alberta, 6.36, 6.44
 Marketable bonds, 6.4
 payable in Canadian currency, 1.8, 6.2, 6.4
 payable in foreign currencies, 1.8, 6.2, 6.8
 Matured debt, 5.10
 Maturity and currency of borrowings by enterprise Crown
 corporations, 9.19
 Maturity of Government debt, 6.16
 Medical Research Council—Donations for Research, 4.11, 4.16
 Members of Parliament Retirement Compensation Arrangements
 Account, 6.19, 6.20, 6.23
 Members of Parliament Retiring Allowances Account, 6.19, 6.20
 6.22
 Military purchases excess funds deposit, 6.36, 6.45
 Ministerial expenditures by standard object, *see Volume II (Part I),
 Section 1*
 Ministerial expenditures by type, *see Volume II (Part I), Section 1*
 Ministerial revenues by main classification, *see Volume II (Part I),
 Section 1*
 Ministry summary (of source and disposition of authorities), *see
 related ministerial section in Volume II (Part I)*
 Miscellaneous accountable advances, 9.39, 9.41
 Miscellaneous accountable imprest and standing advances, 9.39, 9.41
 Miscellaneous federal/provincial projects, 6.34, 6.41
 Miscellaneous non-tax revenues, 3.3
 Miscellaneous payroll deductions, 5.4, 5.9
 Miscellaneous projects deposits—
 Canadian Heritage, 6.33, 6.40
 Environment, 6.34, 6.40
 Fisheries and Oceans, 6.34, 6.40
 Natural Resources, 6.36, 6.44
 Missions abroad, 9.39, 9.41
 Moneys received after March 31 but applicable to the current
 year, 7.4
 Montreal Port Corporation, 9.5, 9.10
 Mounted Police Foundation, 6.36, 6.45
 Multilateral Investment Guarantee Agency, 9.30, 9.32
 Municipal Development and Loan Board, 9.35, 9.36, 9.37

N

National Accounts Presentation, 2.8
 Detailed statement of revenue and expenditure
 transactions, 2.8
 National Archives of Canada—Donations, 4.11, 4.15
 National Battlefields Commission—Trust Fund Account, 4.11, 4.15
 National governments including developing countries, 1.8, 9.2, 9.24
 National Library—Special Operating Account, 4.11, 4.16
 National Research Council of Canada—Trust Fund, 6.35, 6.43
 National Round Table on the Environment and Economy—
 Donations, 4.11, 4.17
 National Sea Products Ltd, 9.22, 9.23
 Native claimants, 9.39, 9.45
 NATO, *see* North Atlantic Treaty Organization
 Natural Sciences and Engineering Research Council—
 Donation Trust Fund, 4.11, 4.17
 Trust Fund, 6.35, 6.43
 Net gain on exchange, 3.3
 Net Income Stabilization Account, 6.33, 6.39
 Newfoundland Offshore Revenue Account, 6.36, 6.44
 1924 Ontario lands agreement, 6.35, 6.42
 Non-budgetary transactions, 1.6, 2.2
 Non-government agencies, 6.35, 6.44
 Non-lapsing authorities granted/repealed in the current year,
 see Volume II (Part I), Section 1
 Non-tax revenues, 1.7, 2.3, 3.2, 3.3, 3.7
 Non-tax revenues and revenues netted against expenditures, 7.6
 North Atlantic Treaty Organization (NATO)
 damage claims recoverable, 9.24, 9.28
 infrastructure projects, 6.35, 6.44
 North Portage Development Corporation, 9.22, 9.23
 Notes payable to international organizations, 5.4, 5.5
 Notes to the financial statements of the Government of
 Canada, 1.10
 Nova Scotia Offshore Revenue Account, 6.36, 6.44
 NPM Nuclear Project Managers Canada Inc, 9.22, 9.23
 Nuclear Liability Reinsurance Account, 4.10, 4.14

O

Observations by the Auditor General, 1.25
 Opinion of the Auditor General on the financial statements of the
 Government of Canada, 1.5
 Other accounts payable and accrued liabilities, 5.4, 5.9
 Other cash—Consolidated Crown corporations, 7.4
 OTHER GOVERNMENT-WIDE INFORMATION, *see Volume II
 (Part II), Section 12*
 OTHER INFORMATION RELATED TO THE FINANCIAL
 STATEMENTS, 10
 Other information related to the financial statements, 10.2
 Other loans, investments and advances, 1.8, 9.2, 9.39
 OTHER MISCELLANEOUS INFORMATION, *see Volume II
 (Part II), Section 13*
 Other non-tax revenues, 1.7, 2.3, 3.3, 3.7
 Other outstanding liabilities—Canadian Sports Pool Corporation,
 6.34, 6.41
 Other program expenditures, 3.12
 Other receivables, 7.6
 Other specified purpose accounts, 4.11, 4.15, 6.2, 6.33
 Ottawa Civil Service Recreational Association, 9.39, 9.42
 Outstanding cheques, 7.5
 Outstanding cheques and warrants, 1.8, 7.2, 7.5

P

- Pan American Health Organization (SIREVA), 6.34, 6.41
- Paris air show, 6.34, 6.41
- Parolees, 9.40, 9.47
- PAYMENTS OF CLAIMS AGAINST THE CROWN, EX GRATIA
PAYMENTS AND COURT AWARDS, *see* Volume II (Part II),
Section 10
- PEI Fixed Link, *see* Confederation Bridge
- Pension accounts, 6.33
- Pension and other accounts, 1.8, 2.6, 6.2, 6.17
other, 1.8
- Personal income tax, 1.7, 3.3, 3.5
- Personnel posted abroad, 9.39, 9.41
- Petro-Canada, 9.22, 9.23
- Petro-Canada Enterprises Inc.—Shares, 6.36, 6.45
- Petro-Canada Limited—Cash reserve, 6.34, 6.40
- Preface to the financial statements of the Government of Canada, 1.2
- Prince Rupert Port Corporation, 9.5, 9.10
- Privileges, licences and permits, 3.3
- Proceeds from sales, 3.3
- Proceeds from the disposal of surplus Crown assets, 3.3
- PROFESSIONAL AND SPECIAL SERVICES, *see* Volume II
(Part II), Section 5
- Program objective and activity description, *see* related ministerial
section in Volume II (Part I)
- Programs by activity, *see* related ministerial section in Volume II
(Part I)
- Project deposits—Statistics Canada, 6.35, 6.44
- Provincial and territorial governments, 1.8, 9.2, 9.35
- Provincial and territorial tax collection agreements account, 5.4, 5.6
- Provincial governments—Research projects, 6.35, 6.44
- Provincial workers' compensation boards, 9.39, 9.44
- Public Accounts and National Accounts Reconciliation, 2.9, 2.10
- Public Accounts Presentation, 2.2
 - Detailed statement of expenditure transactions, 2.4
 - Detailed statement of foreign exchange, unmaturing debt and
cash transactions, 2.7
 - Detailed statement of non-budgetary transactions, 2.6
 - Detailed statement of revenue transactions, 2.3
 - Other level of Government, 2.4
 - Statement of accumulated deficit, 2.4
 - Statement of assets and liabilities, 2.5
 - Summary statement of transactions, 2.2
- PUBLIC DEBT CHARGES, *see* Volume II (Part II), Section 9
- Public debt charges, 1.7, 3.2, 3.12
- Public participation funding program, 6.34, 6.40
- Public sector pensions, 1.8, 1.16, 6.2, 6.17, 6.19
- Public Service death benefit account, 6.33, 6.37, 6.38
- Public Service Superannuation Account, 6.19, 6.20, 6.21

Q

- Queen's Fellowship fund—Social Sciences and Humanities
Research Council, 6.35, 6.43

R

- Radarsat, 6.35, 6.43
- Recapitulation of external expenditures by standard object, *see*
Volume II (Part I), Section 1
- Recapitulation of external expenditures by type, *see* Volume II
(Part I), Section 1
- Recapitulation of external revenues by main classification, *see*
Volume II (Part I), Section 1

R—Concluded

- Receivables from the sale of investments, 7.6
- Receiver General
 - current deposits, 7.3
 - special deposits, 7.3
- Refunds of previous years' expenditures, 3.3
- Regional electrical interconnections, 9.36, 9.38
- Regular forces death benefit account, 6.33, 6.37
- Retirement Compensation Arrangements (RCA) Account, 6.19,
6.20, 6.24
- Return on investments, 1.7, 2.3, 3.3, 3.7
- Returned soldiers' insurance fund, 6.33, 6.38
- Revenues, *see* related ministerial section in Volume II (Part 1)
- Revenues, 1.7, 1.12, 3.2
 - by main classification, total net, 3.4
 - from all sources, 3.5
 - other income tax, 1.7, 3.3, 3.5
- REVENUES, EXPENDITURES AND ACCUMULATED DEFICIT, 3
- Revenues, expenditures and accumulated deficit, 3.2
- Revenues, expenses and other changes in equity of
consolidated Crown corporations, 4.6
- enterprise Crown corporations, 9.16
- Royal Canadian Mint, 9.5, 9.10
- Royal Canadian Mounted Police
benefit trust fund, 6.29, 6.32
- dependants' pension fund, 6.33, 6.38
- dependants' pension plan, 6.55
- Superannuation Account, 6.19, 6.20, 6.22

S

- Saint John Harbour Bridge Authority, 9.40, 9.47
- Saint John Port Corporation, 9.5, 9.11
- St Lawrence Seaway Authority, The, 6.28
- Sales of seized assets, 6.34, 6.40
- Schedule of minimum payments, 10.3
- Scholarship awards, 6.29, 6.32
- Securities held by the Canada Pension Plan Investment Fund, 6.2, 6.26
- Securities in trust—Bankruptcy and Insolvency Act, 6.35, 6.43
- Security for costs,
 - Supreme Court of Canada, 6.28, 6.30
 - Tax Court of Canada, 6.28, 6.31
- Seized assets
 - Canadian funds, 6.36, 6.45
 - US funds, 6.36, 6.45
- Seized property—Cash, 6.29, 6.31
- Seized Property Proceeds Account, 4.12, 4.17
- Seized property working capital account, 9.40, 9.46
- Service fees, 3.3
- Shared-cost agreements
 - conferences and training, 6.33, 6.35, 6.40, 6.43
 - NAFTA Secretariat, Canadian Section, 6.34, 6.41
 - research, 6.33, 6.36, 6.39, 6.45
 - tourism, 6.35, 6.43
- Shared-cost/joint project agreements, 6.33, 6.40
research, 6.35, 6.43
- Shared-cost projects
 - Canadian International Development Agency,
International conferences, 6.34, 6.41
 - Foreign Affairs and International Trade, 6.34, 6.41
 - Industry, 6.35, 6.43
 - Natural Resources, 6.36, 6.45
- Ship-Source Oil Pollution Fund, 4.10, 4.15
- Sioux Lookout Zone Hospital, 4.11, 4.16

S—Concluded

Social Sciences and Humanities Research Council—Trust Fund, 6.35, 6.43

Société du parc industriel et portuaire Québec-Sud, 9.22, 9.23

Source and disposition of authorities by type (voted and statutory), *see* Volume II (Part I), Section 1

Source and disposition of budgetary authorities by ministry, *see* Volume II (Part I), Section 1

Source and disposition of non-budgetary authorities by ministry, *see* Volume II (Part I), Section 1

Special areas and highways agreement,
Atlantic Canada Opportunities Agency, 9.36, 9.38
Federal Office of Regional Development—Quebec, 9.36, 9.38
Western Economic Diversification, 9.36, 9.37, 9.38

Special drawing rights allocations, 8.2, 8.4

Special Operating Account—National Library, 4.11, 4.16

Specified purpose accounts,
other, 4.11, 4.15, 6.2, 6.33

Spending and borrowing authorities, 1.11

Sponsorship Agreement—Contributions, 6.36, 6.45

Statement of accumulated deficit, 2.4

Statement of accumulated deficit in terms of total liabilities and total assets, 3.15

Statement of all borrowing transactions on behalf of Her Majesty, 6.16

Statement of assets and liabilities, 1.8, 2.5

Statement of changes in financial position, 1.9

Statement of contingent liabilities, 10.15

Statement of responsibility, 1.4

Statement of revenues, expenditures and accumulated deficit, 1.7

Statement of revenues and expenditures, *see* Volume II (Part I), Section 1

Statement of transactions, 1.6

Statement of transactions of the Debt Servicing and Reduction Account, 1.22

Summary combined financial statements of enterprise Crown corporations by segment, 9.13

Summary financial statements of
consolidated Crown corporations, 4.3
enterprise Crown corporations, 9.12

Summary of insurance programs of agent enterprise Crown corporations, 10.13

Summary of significant accounting policies, 1.10

Summary of transactions in public sector pensions that resulted in charges to expenditures, 6.20

Summary statement of transactions, 2.2

Summer employment experience development program, 6.34, 6.42

Superannuation accounts, 6.2, 6.19

SUPPLEMENTARY FINANCIAL INFORMATION, 2

Supplementary financial information, 2.2

Supplementary Fines Fish Account, 4.11, 4.16

SUPPLEMENTARY INFORMATION REQUIRED BY THE
FINANCIAL ADMINISTRATION ACT, *see* Volume II (Part II), Section 3

Supplementary Retirement Benefits Account, 6.19, 6.20, 6.25

Suspense accounts, 5.4, 5.9

T

Tax revenues, 1.7, 2.3, 3.2, 3.3, 3.5

Temporary deposits received from importers, 6.28, 6.31

Transactions in the Employment Insurance Account, 4.14

Transfer payment agreements, fixed assets, purchases and operating leases, 10.3

TRANSFER PAYMENTS, *see* Volume II (Part II), Section 8

T—Concluded

Transfer payments, *see* related ministerial section in Volume II (Part I)

Transfer payments, 1.7, 3.2, 3.10
by province, certain, 3.11

Transportation and assistance loans, 9.39, 9.41

Treasury bills, 1.8, 6.2, 6.9
average yields at tender, 6.15

Treaty Land Entitlement (Saskatchewan) Fund, 6.35, 6.42

Trust accounts, 6.29

Trust fund
National Research Council of Canada, 6.35, 6.43
Natural Sciences and Engineering Research Council, 6.35, 6.43
Social Sciences and Humanities Research Council, 6.35, 6.43

Trustee Performance Securities, 6.28, 6.30

U

Unamortized commissions on Canada savings bonds, 5.10

Unamortized discounts and premiums on marketable bonds, 5.10

Unamortized discounts on
Canada bills, 5.10
Treasury bills, 5.10

Unclaimed dividends and undistributed assets
Bankruptcy and Insolvency Act, 6.35, 6.43
Canada Business Corporations Act, 6.35, 6.43
Winding-up Act, 6.35, 6.43

Unemployment Insurance Account, *see* Employment Insurance Account

Unemployment insurance premiums, *see* employment insurance premiums

Unemployment insurance warrants, *see* employment insurance warrants

United Kingdom, 9.24
United Kingdom Financial Agreement Act, 1946, The, 9.24

Unmatured debt, 1.8, 1.15, 6.2, 6.4
as at March 31, from 1993 to 1997, with the average rate of interest thereon, 6.15
payable in Canadian currency, 1.8, 6.2, 6.4
payable in foreign currencies, 1.8, 6.2, 6.8

Unmatured debt transactions, 2.7
net source from, 1.6, 2.2

V

Vancouver Port Corporation, 9.5, 9.11

Veterans administration and welfare trust fund, 6.29, 6.32

Veterans insurance fund, 6.33, 6.38

Veterans' Land Act Fund, 9.40, 9.47

W

War claims fund—World War II, 6.34, 6.40

Western Grain Stabilization Account, 4.10, 4.12

Winding-up Act—Unclaimed dividends and undistributed assets, 6.35, 6.43

Winter capital projects fund, 9.35, 9.36, 9.37

World Health Organization, 6.34, 6.41

Y

Yukon Energy Corporation, 9.39, 9.45

